

EC Guidance for ERP 2021-2023: Highlights and impressions

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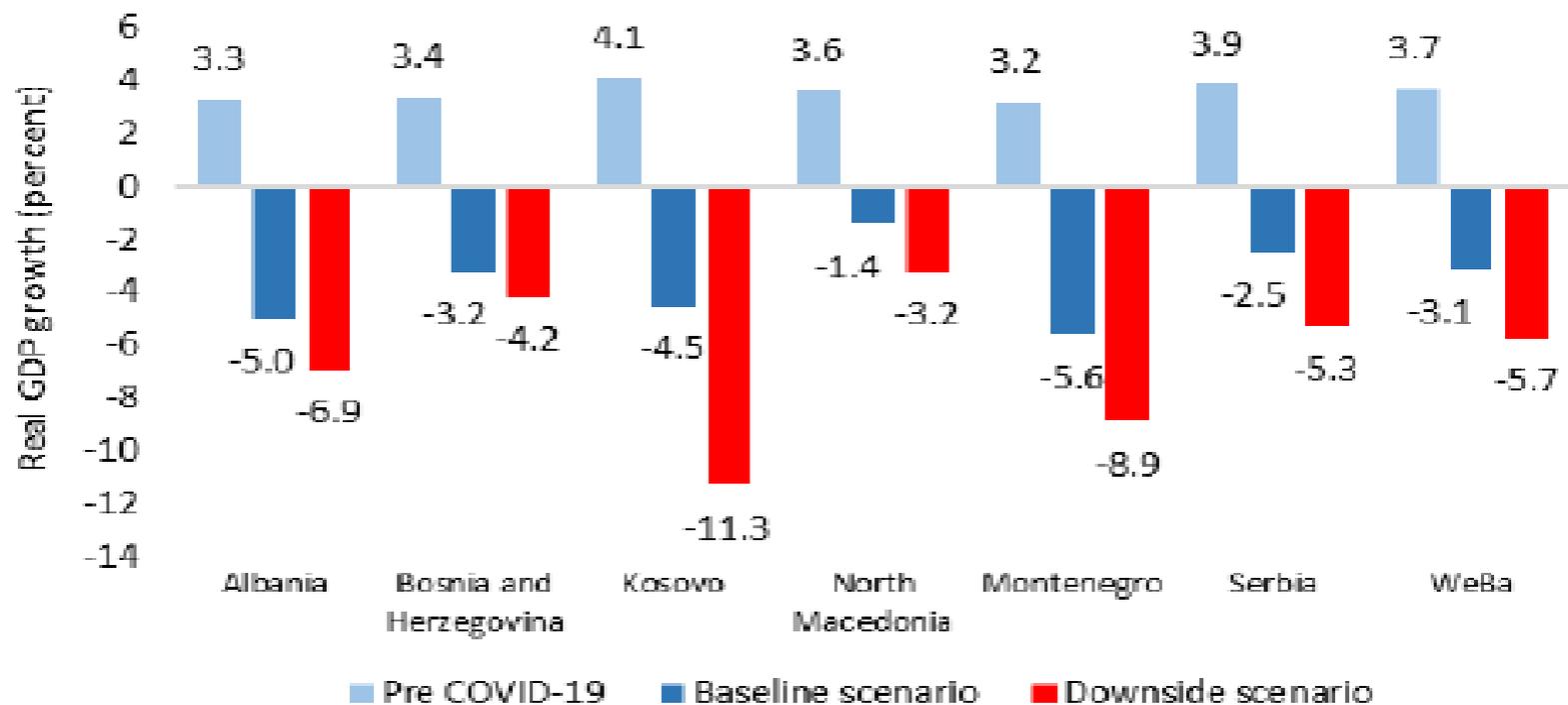
Dramatically changed overall economic framework for the region

- **The current economic crisis caused by the COVID 19 pandemic already has and will continue to have profound implications on economies in the region**
- **Regional growth is forecasted for 2020 between -3 and -5.6 percent; two scenarios are outlined due to high uncertainty brought on by the pandemic**
- **The projections are from April 2020 and today they would no doubt be even worse**



Dramatically changed overall economic framework for the region

Figure: Real GDP Growth, Two Scenarios for 2020



WB RER, April 2020



Dramatically changed overall economic framework for the region

- **Over the medium-term, growth is expected to rebound strongly, as economic activity is expected to return gradually to normal levels**
- **Economic recovery will, however, depend on:**
 - the length and intensity of the current crisis, and
 - the steps policymakers take to address the crisis
- **Economic priorities of governments in the forthcoming period will be strongly focused on**
 - mitigating the negative consequences of the COVID 19 crisis and
 - **supporting a rapid economic recovery**



EU – Western Balkan macroeconomic dialogue in view of COVID 19 crisis

- **Dramatically changed economic environment in the EU as well as in the Western Balkan has already been and will continue to be reflected in the macroeconomic dialogue between the EU and the candidate countries.**
 - **Deliberations of the May 2020 Zagreb summit**
 - **Conclusions of the May 2020 ministerial meeting**
 - **Announcement of a economic and investment plan for the region**
- **New macroeconomic reality is clearly reflected also in June 2020 Guidance for ERP 2021-2023**



EC Guidance for ERP 2021-2023: key features of the document – *general*

- ERP continues to represent the main input of a candidate country for macroeconomic dialogue with the EU institutions and member states
- ERP continues to be document aimed at addressing primarily the following two areas
 - macroeconomic and fiscal developments and prospects, and
 - structural reform efforts
- ERP continues to cover the developments in the current year (this time 2020) and prospects for the next 3 years (this time 2021-2023)



EC Guidance for ERP 2021-2023:

key features of the document – *general*

- Overall focus; ERP should „focus on the post Covid-19 recovery, while integrating mid-term reforms that make this recovery sustainable and build up economic resilience in line with the EU green, digital and just transition priorities“.
- Deadline; ERP should be submitted by 31.1. 2021
- Organization; ERP preparation should be
 - centrally coordinated / endorsed at the highest level.
 - Close involvement of the national IPA coordinator is required to reinforce ERP – IPA programming link (*new*)



EC Guidance for ERP 2021-2023:

key features of the document – *general*

- Structure; ERP 2021-2023 should consist of the same 7 main chapters as last year
 - Overall policy framework and objectives
 - Implementation of the policy guidance
 - Macroeconomic framework
 - Fiscal framework (*two new sub-chapters*)
 - Structural reforms
 - The cost and financing of structural reforms
 - Institutional issues and stakeholder involvement
- Other; Consistency among chapters highlighted
- Costing of SR; To be done as last year (CEF link)



EC Guidance for ERP 2021-2023: key features of the document – SR

- Obstacles to growth; New obstacles emerged in the context of the COVID 19 should be identified.
- Overall logic of SRs: To be „as much as possible progressively aligned with the EU inclusive growth strategy of the Green Deal, aiming at a resource-efficient, decarbonised and competitive economy. A particular attention will be paid to the post-COVID 19 recovery measures“

EC Guidance for ERP 2021-2023: key features of the document – *SR*

- Areas of SRs: They should remain unchanged
 - Energy and transport market reform
 - Agriculture, industry and services
 - Business environment and reduction of the informal econ.
 - Research, development, innovation and the digital transformation
 - Economic integration reforms (*minor change*)
 - Education and skills
 - Employment and labour market
 - Social protection and inclusion



EC Guidance for ERP 2021-2023: key features of the document – SR

- **Overall logic of priority reform measures (15 to 20);** To be the same as last year if the priorities remain the same, while also taking into account
 - the April 2020 EC assessment of ERP 2020-2022
 - reprioritisation to support post-COVID 19 recovery
- **Description of reform measures: Provide info**
 - on its relations with national strategic documents
 - If relevant, shortly refer to how it supports the achievement of the econ. criteria for EU accession.
 - explain how it contributes towards implementation of the EGD and/or achievement of SDGs



EC Guidance for ERP 2021-2023: short personal impressions

- **It is good that ERP continues to have the same basic features as in the previous years; stable concept of the document is a must for continuous macroeconomic dialogue**
- **However, taking into account the impact of the COVID-19 crisis on economies of the region (it is much stronger than the financial crisis a decade ago), I would prefer to have a stronger and more systematic presence of the COVID-19 economic implications in the document**



EC Guidance for ERP 2021-2023: short personal impressions

- **EC Guidance puts a strong emphasis on EGD and SDG (explicit priority of the new Commission), but in the context of deteriorated fiscal position and scarce external funding sources governments of candidate countries will have to navigate between COVID 19 recovery measures and medium-term oriented reform measures**
- **It is my assessment that governments will respond to COVID 19 crisis with prioritization of measures aimed primarily at restoring economic recovery over medium-term oriented reforms**

