Opinion of the European Economic and Social Committee on Communication from the Commission to the European Parliament, the European Council, the Council, the European Central Bank, the European Economic and Social Committee, the Committee of the Regions and the European Investment Bank – Annual Sustainable Growth Survey 2022

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1. **Conclusions and recommendations**

1.1. The EU faced adverse developments and crises long before the outbreak of the COVID-19 pandemic. In 2020, the EU entered the deepest economic recession in its history, while existing challenges were still far from being solved. Unprecedented supportive actions were taken by the EU to soften the blow and stave off an unstable situation. However, the pandemic can only be tackled transnationally and the EESC calls for a foresightful cooperation on the EU's health policy, a boost to vaccination levels and the adoption of a global approach, in order to have an open debate at EU level on a temporary and voluntary TRIPS waiver.

1.2. The EESC advocates a prosperity-focused policy and supports the EU's 'competitive sustainability' agenda. Its four dimensions — environmental sustainability, productivity, fairness and macroeconomic stability — as well as competitiveness, should be placed on an equal footing in order to achieve the intended reinforcing effects and successful transformation. For example, fairness and social sustainability are crucial elements of competitiveness and vice versa. The weaker the involvement of parliaments, the social partners and other civil society organisations, the more likely it is that disparities will increase and acceptance decrease, especially with regard to the transformation of the economy to achieve climate neutrality.

1.3. One of our challenges is to decouple economic prosperity as far as possible from environmental degradation. Again, what is needed is a holistic approach that takes on board environmental damage of all types. Commitments to safeguarding social well-being must not end up as empty slogans. It is crucial to ensure a fair distribution of the efforts *and* gains of the transition. The EESC highlights the importance of a sound business climate and of keeping strong industrial value chains in Europe, and calls for European industrial leadership to strive for sustainability. The carbon border adjustment mechanism must be designed in an effective way and state aid measures should be linked to the creation of quality jobs and to respect for workers' rights and fiscal obligations. Finally, the EESC stresses that any shift towards environmental taxation should not entail regressive distributional effects or energy poverty.

1.4. The EESC welcomes the Commission's proposals concerning reforms and investment and promoting a fair single market in order to ensure a strong economic basis. Steps to promote the single market and improve the business environment are crucial for fostering innovation and productivity. Moreover, a fair productivity approach constitutes a critical driver for competitiveness and upward convergence in the long run. However, social and labour rights are fundamental but are not part of the constitutionally protected freedoms of the internal market. The EESC calls for appropriate proposals on how to guarantee non-treaty protected national rules. The EESC recommends mitigating the adverse effects of surging energy prices on production and distribution and welcomes closer monitoring of financial market risks arising from the climate crisis. Deepening the Capital Markets Union and the Banking Union should consolidate funding channels, promote investment efforts and increase resilience.

1.5. The EESC highlights that striving at the same time for a fair and just green and digital transition, which requires sustainable social conditions, will constitute a base for future prosperity and resilience. Well-designed labour market policies and social protection systems are the basis for resilience and inclusive growth. The EESC fully agrees that Member States should intensify efforts to improve learning outcomes across their education and training systems and that access to life-long learning should be ensured. The EESC calls on the Commission to scrutinise the distributional effects of pay-outs under the Multiannual Financial Framework (MFF) and NextGenerationEU (NGEU) and to secure their contribution to the development of a greener and digitalised economy, as well as to upward social convergence.

1.6. Economic recovery and stable inclusive growth are pre-conditions for sustainable public budgets. Policy needs to remain supportive and ready to respond to sustained turbulence. The EESC welcomes the continuation of the general escape clause. Whenever it is lifted, levels of economic activity, employment and poverty compared to pre-crisis levels will have to be considered. Moreover, the EESC calls on the Commission to put forward guidelines for a transition period before a modernised framework comes into force. The EESC warns against promoting policies that curtail current expenditures relating to social, educational and health expenses and calls for fair revenue policies. Moreover, while surveillance under the macroeconomic imbalance procedure (MIP) has insufficiently taken account of interactions between new emerging economic challenges, the EESC also calls for social imbalances to be monitored.

1.7. The EESC perceives that we are entering a new phase of economic policy and the evolving 2022 European Semester is a chance to enhance economic, environmental and social sustainability. The balanced approach of the competitive sustainability agenda should be reflected in the upcoming country-specific recommendations (CSRs), and greater involvement of the social partners and organised civil society is long overdue. By making compliance with announced reforms a condition for the disbursement of RRF grants, country-specific recommendations gain more political weight. While the reinforced focus on the principles of the European Pillar of Social Rights is welcome, the extent to which it will actually be reflected in the CSRs and the Recovery and Resilience Plans (RRPs) remains unclear. Economic governance needs to be integrated into the European Semester process in such a way as to ensure the democratic involvement of the parliaments, the social partners and organised civil society.

2. **General comments**

2.1. The EU faced adverse economic and social developments and crises even before the outbreak of the COVID-19 pandemic. Following a long period of economic downturn after the financial market crisis in 2008, the EU economy finally picked up in 2014 and then enjoyed a period of growth and rising employment rates. However, public investment had dropped below levels needed to keep the stock of public capital stable as a share of GDP. While the EU as a whole is relatively prosperous by global standards, divergences between countries and regions as well as inequalities and the gender gap amid our societies persisted. The threat of the climate crisis and the challenges due to technological change were already apparent.

2.2. In March 2020, the COVID-19 pandemic and the measures taken to contain it dramatically changed the situation. The EU entered 'the deepest economic recession in its history' ([1]), while existing challenges were far from being solved. But not only were the pandemic and its impacts unprecedented — the EU also took an unprecedented range of actions of solidarity to cushion the distress, including the activation of the general escape clause and the SURE instrument ([2]). In particular, the EESC appreciates the fact that the EU managed to draw up and adopt such a wide-ranging initiative as the NGEU amidst such a severe crisis. This initiative should not only help to overcome the crisis but also — quite rightly — to tackle the transition process. The confidence-boosting effect of the overall supportive and cohesive policy approach was successful in cushioning the socioeconomic fallout from the crisis, which otherwise may have resulted in economic and political destabilisation.

([1]) European Commission's Spring 2020 Economic Forecast.
([2]) European instrument for temporary Support to mitigate Unemployment Risks in an Emergency.

2.3. The close link between the economy and the pandemic also became apparent from the economic rebounding triggered by the improving epidemiological situation in mid-2021. The 2021 autumn forecast predicts a move from recovery to expansion and a growth rate of 4,3 % in 2022, while job creation is expected to follow this boost ([3]). Against the background of the renewed surge of the pandemic and the Omicron variant, this positive outlook may unfortunately not come to pass. The EESC points to the high level of uncertainty and to the significant impact of the pandemic on economic activity.

2.4. Tackling the pandemic and preventing new variants of the virus cannot be achieved on a national level alone. Instead, a transnational approach is needed. The EESC calls for a close and foresightful cooperation on the EU's health policy, which will not only help to overcome the health crisis but also to cushion its impact on the economy. The EESC recommends that increasing vaccination levels continue to be a top priority and calls for a global approach, not least because the globally sufficient supply of vaccines is also in the EU's own interest. Therefore, the EESC asks the Commission to lead an open debate at EU level on a temporary and voluntary TRIPS waiver that would apply to COVID-19 vaccines, treatments and tests ([4]).

2.5. The EESC welcomes the multidimensional approach of the 'competitive sustainability' agenda outlined in the Sustainable Growth Survey. This is in line with a prosperity-focused policy approach, advocated by the EESC in previous opinions, calling for consideration of a number of objectives: environmental and social sustainability, sustainable and inclusive growth, full employment and high-quality work, fair distribution, health and quality of life, financial market stability, price stability, balanced trade based on a fair and competitive industrial and economic structure, and stable public finances. These objectives are also consistent with the objectives set out in Article 3 of the Treaty on European Union and are closely interconnected. For example, a sustainable growth approach that goes beyond the sole objective of GDP growth is crucial for the achievement of a climate-neutral economy in 2050.

2.6. Moreover, the four dimensions of the competitive sustainability agenda — environmental sustainability, productivity, fairness and macroeconomic stability — are closely interlinked and of equal importance. They are all pieces of a single puzzle, and one cannot exist without the others, such that none of them is subordinate to another. The Commission quite rightly stresses that these dimensions *should* be mutually reinforcing. The EESC welcomes this, but also points to the danger of contractionary effects. The weaker the involvement of parliaments, the social partners and other civil society organisations, the more likely it is that there will be disparities between these four dimensions.

2.7. The EESC also points out that not only are the four dimensions interconnected — but competitiveness is also closely interlinked with them and of equal importance to them, together with balanced trade, which is one of the key economic objectives. For example, fairness and social sustainability are crucial elements of competitiveness and vice versa. The European social model and, in particular, the European pillar of social rights are pivotal parts of the EU's competitiveness. Likewise, the other way around, balanced trade based on a fair, competitive industrial and economic structure is an important prerequisite for the EU's inclusive growth, fairness and social sustainability.

3. **Specific comments**

3.1. *Environmental sustainability*

3.1.1. One of the main challenges of this century is to decouple economic prosperity as far as possible from the endangering or destruction of the environment. The EESC fully agrees with the Commission that climate change and environmental degradation call for immediate action. While the EESC fully supports the goal of combating the climate crisis, it calls for a holistic approach that takes on board equally environmental damage of all types, such as threats to biodiversity, water and soil, air pollution and nuclear and other kinds of toxic waste.

3.1.2. Quite correctly, the Commission points to the social and economic dimensions of this transition and stresses the importance of safeguarding prosperity and well-being. The EESC stresses that it is of the utmost importance that these proclamations do not end up as empty slogans and calls on the Commission to provide granular mapping and analysis of the impact the transition will have on employment and skills ([5]). It is also crucial to ensure a fair distribution of the efforts *and* gains of the transition. In order to achieve that, the EESC underlines the crucial role of social dialogue, full respect for the autonomy of social partners, the reinforcement of collective bargaining, sound corporate governance with worker

([3]) Autumn Forecast 2021.
([4]) EESC opinion on *Emerging stronger from the pandemic: acting on the early lessons learnt* (OJ C 152, 6.4.2022, p. 116).
([5]) EESC opinion on *Fit for 55: Delivering the EU's 2030 Climate Target on the way to climate neutrality* (OJ C 275, 18.7.2022, p. 101).

participation [6] and the involvement of the social partners and organised civil society in policy-making. This will not only ensure ownership, but — all above — is imperative to securing a balanced and inclusive transition process.

3.1.3. Such involvement particularly needs to be stepped up in the Fit for 55 package, which contains a large number of far-reaching policy proposals. The EESC highlights the importance of keeping strong industrial value chains in Europe, and calls for European industrial leadership in striving for environmental sustainability. The proposal for a 'carbon border adjustment mechanism' has the potential to make employment in climate-friendly transformed companies more robust and is therefore key and must be designed in an effective way. In the context of any shift towards environmental taxation, such as levying taxes on polluting activities, it is imperative to prevent regressive distributional effects and energy poverty. The tax burden on labour should be addressed in this connection.

3.1.4. The Commission points out that delivering the EU's ambitious Green Deal agenda will require significant investments amounting to about EUR 520 billion per year. Further investments will be needed to accompany labour market transitions. In that context, the EESC points to additional investment needs due to the digital transition, as well as in healthcare, education and training, social protection and research and development. The EESC underlines that, in order to ensure a sufficient level of investment, it is vital to both redirect and step up private investment *and* public investment. However, the achievement of environmental sustainability represents a public good that incurs the risk of market failure.

3.1.5. Private investment plays a crucial role in the economic circle in order to promote economic development and job creation. Private sector investment and innovation in particular are needed to achieve the goal of environmental sustainability, for example in the areas of new batteries for cars and zero CO_2 steel production. The EESC highlights the need for a sound business climate and welcomes the endeavours to channel private funding towards climate resilience and environmental sustainability, as intended by the new sustainable finance strategy [7]. The EESC also supports the public sector's role — in particular InvestEU and the respective NGEU measures — in endorsing private investment by providing targeted support by fully respecting Art. 107 TFEU. However, the EESC calls for state aid measures to be linked to the creation of quality jobs and to the respect of workers' rights, environmental standards and fiscal obligations.

3.2. *Productivity*

3.2.1. Productivity is about the efficiency of economic production and is basically defined by the ratio of output to input. Productivity growth in a fair and sustainable way contributes to competitiveness, prosperity and upward convergence in the long run. However, striving for productivity in an unfair, unsustainable way could end up putting more pressure on employees and employers, impairing environmental sustainability, distorting competition, increasing inequality and hampering the transition process. Given the above, the EESC welcomes the Commission's approach of enhancing productivity in a prosperity-orientated way by promoting advanced technologies and innovation, reinforcing people's skills, stepping up training and education, strengthening the transfer and valorisation of knowledge and promoting resource efficiency. The EESC highlights in particular the fact that social sustainability is also an important element of a fair productivity approach.

3.2.2. The EESC emphasises the need for new investments in general and in particular in the digital sector and explicitly supports the Commission's call for RRPs to also focus on building and deploying cutting-edge digital capacities. Indeed, the RRF can and should help Member States to undertake investments and reforms that — amongst other things — enable artificial intelligence, high performance computing, cybersecurity, microelectronic and electronic components and secure connectivity. In addition to boosting digital skills at all levels, this will provide a solid ground for enhancing productivity and competitiveness and therefore promote a strong economic basis and prosperity in the long run.

3.2.3. A fair and well-functioning single market promotes sustainable and inclusive growth and employment. The EESC agrees with the Commission that respect for the rule of law, quality and efficient justice systems, effective anti-corruption structures, efficient administration including tax administration, and anti-money laundering and antifraud frameworks are

(6) EESC opinion on *Social dialogue as an important pillar of economic sustainability* (OJ C 10, 11.1.2021, p. 14).
(7) EESC opinion on *Renewed sustainable finance strategy* (OJ C 152, 6.4.2022, p. 97).

important factors for improving the business environment and safeguarding fair competition between companies. Unfortunately, there is still an imbalance between economic freedoms and social and labour market rights. Social and labour rights are fundamental but not part of the constitutionally protected freedoms of the internal market. National protection rights in favour of employees are sometimes classified as administrative barriers to the market. As a consequence, many workers perceive the internal market as a threat. The EESC calls for appropriate proposals on how to redress that imbalance and to guarantee non-treaty protected national rules. Moreover, the EESC strongly recommends consistently pursuing efforts in the 'beyond GDP initiative' ([8]).

3.2.4. The EESC highly recommends addressing the adverse economic and distributional effects of surging energy prices. This spike in prices may be due to the strong resumption of economic activity and supply-side disruptions and may even itself out when economic development becomes more stable. However, it puts an immediate burden on the production side and competitiveness of industry. Moreover, high wholesale energy prices are likely to affect retail prices, thus placing a further burden on food prices. Even if these effects are transitory, they may create downward pressures on the purchasing power of wages, so that lower-income households could be exposed to poverty. The EESC supports the endeavours to counteract these developments.

3.3. *Fairness*

3.3.1. Long before the COVID-19 crisis, weak social protection, imbalances and inequalities constituted a problem. With well over 20 % of EU citizens at risk of poverty and social exclusion, the ECB concluded in 2016 that the distribution of net wealth is 'heavily skewed' ([9]). According to the World Bank's World Poverty Report (2018) ([10]), just over a billion people had been lifted out of absolute poverty over the previous three decades, largely due to the reduction of poverty in China. The pandemic slowed down this positive trend. However, wealth is still concentrated at the very top and the very rich have actually acquired more wealth over the last 25 years ([11]). The Commission rightly points to rising inequalities due to the pandemic. Inequality is not only a problem in itself, but also curbs economic development by dampening private demand and serving as breeding ground for social tension. Thus, the enhancement of quality jobs, sound payment and working conditions, employment for disadvantaged groups and the right to collective bargaining are key. The EESC stresses the importance of respecting national industrial relations and the autonomy of the social partners when promoting such policies.

3.3.2. The EESC appreciates the Commission's assertion that fairness needs to be at the heart of the recovery. In the face of problematic inequality, worrisome poverty figures and political tensions, social sustainability, gender equality, equal opportunities, non-discrimination and fair distribution are important goals in themselves. Consequently, the EESC highly recommends focusing not only on the green and digital, the so called twin transition, but also striving for social sustainability alongside this. The EESC highlights that striving at the same time for a fairness and just green and digital transition which requires sustainable social conditions will constitute a base for future prosperity and resilience.

3.3.3. Well-designed active labour market policies, public employment services and social protection systems, that help people to preserve their living standards in times of economic turbulence and also in the case of an individual need, are the basis for resilience and inclusive growth. The implementation of job-retention measures, such as short-time work schemes, decisively helped to tackle the negative impacts of the crisis on labour markets. But although income support and social safety nets prevented a large fall in incomes, the COVID-19 pandemic has also exposed gaps in access to social protection. The EESC calls for upward social convergence that contributes to the EU's overall resilience to crises.

3.3.4. Particular attention must also be paid to the social impact of the digital transition, not least because the pandemic has accelerated this process. The EESC welcomes the fact that the Commission points — among other things — to the uneven access to online learning, which may have long-term consequences, including low levels of basic skills, and

([8]) Background — Beyond GDP, European Commission.
([9]) European Central Bank, *The Household Finance and Consumption Survey: results from the second wave*, No 18 / December 2016.
([10]) World Bank Group: *Poverty and shared prosperity 2018. Piecing together the poverty puzzle. Overview,* Figure 01; p. 2
([11]) The World Inequality Report 2022 presents the most up-to-date and complete data on inequality worldwide.

therefore may exacerbate inequalities in education. The EESC fully agrees that Member States should intensify their efforts to improve learning outcomes across their education and training systems. In order to address skill mismatches and to prevent growing social divides, the right to life-long learning has to be recognised and access to it ensured. This must be supported by public funding in order to help responsible enterprises to carry out quality life-long training. In order to narrow the digital gap, close attention should be paid to accessibility to digital services for persons with disabilities and for the elderly.

3.3.5. The new Multiannual Financial Framework (MFF) and Next Generation EU (NGEU), and in particular the Recovery and Resilience Facility (RFF), amount to EUR 1,824 trillion, which will support the Member States in addressing the current challenges. The EESC calls on the Commission to scrutinise that the proclaimed policy measures are properly implemented, so that the objectives of the green and digital transition are tangibly promoted by the allocation of the funds. Above all, already planned expenditures should not be accepted as part of the National Recovery and Resilience Plans. This would also help avoid the need to increase national contributions or to cut spending from the EU budget.

3.3.6. Moreover, the distributional effects of the pay-outs of the funds and their social impact also have to be monitored carefully in order to ensure their contribution to upward social convergence. The Commission duly points to the various aspects of the asymmetric impact of the crisis on different population groups, sectors and regions. The EESC therefore calls for particular efforts to protect low- and middle-income households and vulnerable people, who are the most affected by any crisis and transition process. Investments should be financed under the condition that they lead to net job creation and respects workers' rights. All in all, it is important that future generations get their money's worth from today's expenditures.

3.4. *Macroeconomic stability*

3.4.1. The pandemic shock has not only increased pre-existing vulnerabilities and led to a setback in the reduction of imbalances between Member States but has also created greater uncertainty. Therefore, economy and monetary policy not only needs to remain supportive but also needs to be agile and ready to react to any turbulence or shocks and ensure the EU's resilience. Hence, the EESC welcomes the continuation of the general escape clause. Whenever it is lifted, the level of economic activity as well as employment and poverty figures compared to pre-crisis levels will have to be considered. Moreover, fiscal policies at national and EU level as well as monetary policies should be coordinated in a prudent way in order to mutually reinforce the intended supportive and stabilising effects.

3.4.2. The EESC calls for a shift towards prosperity-focused economic governance to be engineered, as outlined in various opinions ([12]). Therefore, after having being brought to a halt because of the pandemic, the relaunch of the review of the economic governance framework was overdue in order to promote appropriate fiscal policies in good as well as bad times. The deficiencies of the current fiscal framework were already obvious in 2020, and the crisis poses even more serious challenges. An analysis suggests that the deficit criterion will not be fulfilled by 23 Member States and the debt criterion by 13 Member States.

3.4.3. The EESC agrees with the Commission on the need to abstain from opening an excessive deficit procedure against any Member State and on its recommendation that Member States should continue to provide fiscal support whilst safeguarding fiscal sustainability in the medium term when economic conditions allow. This is in line with the EESC's claim to support sustainable growth, thereby enabling public finances to be strengthened ([13]). However, the EESC also calls for acknowledgement that there is an urgent need to step up investment in order to tackle the transition process. Moreover, before the revised framework comes into force, the Commission should put forward guidelines for a transition period, during which time the excessive deficit procedure should not be triggered, and with the possibility to use the 'unusual event clause' on a country-specific basis ([14]).

([12]) EESC opinions on *Economic Governance Review 2020* (OJ C 429, 11.12.2020, p. 227), and *Reshaping the EU fiscal framework for a sustainable recovery and a just transition*, (OJ C 105, 4.3.2022, p. 11).

([13]) EESC opinion on *Economic Governance Review 2020* (OJ C 429, 11.12.2020, p. 227).

([14]) EESC opinion on *Reshaping the EU fiscal framework for a sustainable recovery and a just transition* (OJ C 105, 4.3.2022, p. 11).

3.4.4. The EESC agrees with the Commission that the surveillance under the macroeconomic imbalance procedure (MIP) may have insufficiently taken account of interactions between new emerging economic challenges, notably environmental pressures ([15]). Moreover, social imbalances need to be monitored in order to offset the predominance of fiscal and macroeconomic requirements ([16]). As social and employment imbalances can have detrimental cross-border effects, it is important that they be detected and corrected at an early stage. Finally, the EESC welcomes the Commission's work on green budgeting.

3.4.5. Economic recovery and stable inclusive growth are pre-conditions for sustainable public budgets and the formation of fiscal buffers. As nationally-financed public investment will continue to play a key role, applying the 'golden rule', without jeopardising medium-term fiscal sustainability and the value of the euro, is vital if the transition process is to be successful. But against the background of a high level of uncertainty, the EESC also warns against curtailing current expenditures relating to social, educational and health expenses. Well-functioning automatic stabilisers are key for preventing social hardship, stabilising demand and resilience against any crisis. On the other hand, unfair tax policies with tax fraud and aggressive tax planning jeopardise the fiscal leeway needed to react to shocks and tackle the transition process. Therefore, the Commission's observations regarding the revenue side are welcome. This is also true for proposed reforms in the context of the RRF, as regards increased tax administration efficiency with a view to improving tax collection and reducing compliance costs for businesses and individuals.

3.4.6. An important aspect of macroeconomic stability is the stability of the financial markets. Deepening the Capital Markets Union and the Banking Union should focus on strengthening funding channels and promoting the private sector's contribution to the investment efforts. In doing so, the EESC calls for the right balance to be struck between risk-sharing and risk reduction and, in particular, welcomes the endeavours to strengthen the monitoring of systemic risks arising from the climate crisis. Moreover, it is also important to pay heed to social sustainability risks, which are jeopardising social cohesion as a result of widening distribution gaps. Financial market regulation should also prioritise efficiency over complexity and provide a high level of consumer protection.

3.5. *The European Semester evolves*

3.5.1. The EESC highlights that with NGEU the EU reaches a new phase of economic policy and makes a decisive step forward towards solidarity. The evolving 2022 European Semester is a chance to enhance economic, environmental and social sustainability. The EESC calls for a commitment to promoting sustainable and inclusive growth, full employment and the creation of quality jobs and stepping up decisively its democratic stance. Moreover, greater involvement of the social partners and organised civil society in the semester process is long overdue.

3.5.2. Processing the RRF through the Semester makes the semester process more meaningful. Also, linking compliance to reforms — set out in the national recovery and resilience plans (NRRPs) and heavily based on the CSRs — and the disbursement of tranches gives the CSRs more political weight. This makes closer involvement of the social partners and organised civil society in the development and implementation of the NRRPs mandatory. The EESC calls for minimum standards to be laid down for such consultation ([17]). Cohesion policy's strict rules on stakeholder consultation and the partnership principle in particular should be taken, at the very least, as a blueprint for RRF procedures ([18]).

3.5.3. A variety of empirical studies emphasise that the bulk of the country-specific recommendations have focused on boosting competitiveness and consolidating public budgets. The EESC calls on the Commission to pass on the balanced approach of the competitive sustainability agenda in particular to the upcoming CSRs. Special focus should be placed on recommending reforms such as active and inclusive labour market policies and lifelong learning schemes, including programmes for reskilling and offering career change support, also for disadvantaged groups such as people with disabilities and the elderly.

([15]) COM(2021) 662 final.
([16]) EESC opinion on *European Pillar of Social Rights* (OJ C 286, 16.7.2021, p. 13).
([17]) EESC Resolution on *Involvement of Organised Civil Society in the National Recovery and Resilience Plans* (OJ C 155, 30.4.2021, p.1).
([18]) EESC opinion on *Cohesion policy in combatting inequalities — complementarities/overlaps with the RRF* (OJ C 517, 22.12.2021, p. 1).

3.5.4. In particular, the EESC welcomes the outcome of the Porto Social Summit, namely that the revised Social Scoreboard should help monitor progress towards implementation of the principles of the European Pillar of Social Rights and embed this monitoring in the European Semester process. Therefore, the increased focus of the 2022 Joint Employment Report on the Pillar's principles, together with the fact that it incorporates the 2030 headline targets and the headline indicators of the revised Social Scoreboard in its analysis, is welcome. However, the extent to which these conclusions will be reflected in the CSRs and the Recovery and Resilience Plans remains unclear. In addition, the Sustainable Development Goals should serve as reference points.

3.5.5. The EESC also calls for reforms that guarantee that EU funds are absorbed effectively, for example by building up technical capacities in public administrations to manage investment projects, for public procurement systems based on the principle of the most economically advantageous instead of the cheapest tender, thus taking into account labour, social and environmental aspects, and finally for reforms to remove other non-monetary barriers to an effective investment policy. In particular, the EESC also calls on the Commission to prevent any misuse of funds and corruption.

3.5.6. Economic governance and in particular the rules of the fiscal policy framework need to be integrated into the European Semester process in such a way that the democratic involvement of the European Parliament, the national parliaments, the social partners and organised civil society are ensured. Moreover, it should also be reformed with the aim of fostering a multilateral and democratic dialogue on macroeconomic, social and environmental challenges and of supporting policy coordination.

Brussels, 23 February 2022.

The President
of the European Economic and Social Committee
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