Opinion of the European Economic and Social Committee on the 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 2023

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1. **Conclusions and recommendations**

1.1. The European Economic and Social Committee (EESC) welcomes the key policy priorities of the 2023 Annual Sustainable Growth Survey (ASGS) delivering on the four dimensions of competitive sustainability. It is clear that, considering the current situation and scenarios, in the short term vulnerable households should be supported to protect them from the worst effects of the energy crisis, while energy efficiency should still generally be promoted in the European Union. The EESC believes that medium and long-term policies should accelerate the digital and green transitions. It also thinks that the Union needs to balance the demand for energy supply, while preserving energy for the winter and avoiding higher costs. It is crucial to support measures that will boost efficiency in all areas. This must be done while preserving the integrity of the single market and ensuring macroeconomic financial stability and coherent fiscal and monetary policies.

1.2. The EESC is aware that in 2023 the European Semester cycle will be dominated by the efficient implementation of the Recovery and Resilience Plans (RRPs). These plans will place strong emphasis on the Member States' policy agendas, which must provide an opportunity to boost their economies. The EESC welcomes the European Commission's efforts to organise dialogues with the Member States in early 2023. These dialogues may consist of an in-depth discussion between the Commission and the Member States to influence the country-specific recommendations (CSRs). In this regard, the EESC believes that these dialogues will promote better implementation of the RRPs and help to ensure that any concerns are better addressed and identified through the CSRs.

1.3. The EESC urges fair working conditions, effective competition and better consideration of civil society concerns in order to improve the functioning of the single market. This is even more important in light of the war and energy crisis. The EESC supports the call for action to be taken to enhance the single market. The EESC believes that the recent shocks underline the importance of strongly coordinating sound fiscal policies and of building fiscal buffers during good times to be used during downturns, while simultaneously addressing social deficits as they can compromise economic growth in the medium term. Fiscal policies should aim to achieve prudent medium-term fiscal positions and ensure fiscal sustainability through gradual consolidation and sustainable growth-enhancing investment and reforms.

1.4. The EESC calls for better coordination between Member States and brave decisions that create incentives to avoid the EU's energy dependency, especially on Russia. Such dependency could compromise the Union's interests and must be addressed with courage.

1.5. The EESC calls for a moderate, realistic and balanced approach while addressing inflation in order to involve everyone in the search for a solution that will benefit the whole Union. The Competition Authorities must be rigorously active in ensuring price transparency and being alert for any possible market failures. Governments must be careful to ensure their pronouncements are based on the best empirical analysis, avoiding unsubstantiated criticism of commercial actors as it can lead to conflict between citizens, companies and social partners. The EESC also believes that the problem can only be solved if governments, businesses and organised civil society work together.

The EESC believes that Member States must demonstrably relentlessly focus on efficiency and fairness in using financial and other public resources available. This is critical to securing new and quality investments.

1.6. The EESC will continue to argue that consultation of organised civil society (OCS — social partners and civil society organisations), the European Parliament and national parliaments must play a bigger role throughout the European Semester cycle in order to strengthen national ownership. The EESC believes that both the Semester process and the implementation of the RRPs would benefit from better and more organised participation from the organisations involved in the EESC. A 'touch of realism' is needed when talking about policy implementation.

1.7. The EESC is also aware of the need to invest in skills and the industrial agenda in order to really take advantage of existing European assets, namely investment in innovation and science that must be exploited for the benefit of citizens.

1.8. The EESC urges the Commission to communicate better with citizens. A strong, reliable and common speech on the challenges and how the Union is mobilised to work to overcome these challenges is fundamental for citizens and will avoid misunderstandings about the European project. Investing in better communication (and the EESC is not talking about advertising) could be an interesting change in the rhetoric against the European project and should be a priority. In this regard, the EESC also welcomes the Commission's initiative to present this year a Communication on strengthening social dialogue in the EU and a proposal for a Council Recommendation on the role of social dialogue at national level. Better communication with and consultation of organised civil society are essential and go hand in hand.

2. **Background**

2.1. It is no secret that Europe is going through the most difficult period in the last 70 years. It is facing multiple complex economic and social challenges with Russia's war of aggression against Ukraine, which continues to drain the European economy, with soaring energy bills, high inflation rates, supply shortages, higher debt levels and rising borrowing costs. It is therefore time to make decisions to determine the future of one of the most successful global projects for social, economic and cultural progress.

2.2. On 22 November 2022, the Commission adopted the 2023 European Semester Autumn Package to propose ways of jointly overcoming these challenges and strengthening our economies in the long term, through the coordination of economic, fiscal, labour and social policies. The purpose is to ensure adequate, affordable energy supplies, preserve economic and financial stability and protect vulnerable households and businesses, stimulate growth and the creation of quality jobs, and complete the twin transition.

2.3. The Annual Sustainable Growth Survey 2023 outlines the policy priorities in the coming year and sets an agenda for strengthening this coordination in order to mitigate the negative impact, address the current challenges and increase social and economic resilience while fostering sustainable and inclusive growth, in line with the UN Sustainable Development Goals. With a view to fostering competitive sustainability, the four priorities are promoting environmental sustainability, productivity, fairness and macroeconomic stability.

2.4. The economic and employment policy agenda should focus on supporting citizens and companies to face the challenges created by the increase in energy costs and supply, and, at the same time, to pursue efforts to foster sustainable growth and the green and digital transition, as well as to increase social fairness and economic resilience.

2.5. Under this principle, proposals for country-specific recommendations (CSRs) are expected in spring 2023, with the country reports focusing on:

— a succinct, but holistic overview of economic and social developments and of challenges facing Member States;

— an overview of the state of implementation of the national Recovery and Resilience Plans;

— continuing to take a modest approach to the CSRs.

2.6. Regarding the euro area, the Commission has identified five recommendations for 2023:

(a) coordinate fiscal policy;

(b) sustain public investment;

(c) monitor wage and social policies;

(d) improve the business environment;

(e) preserve macro-financial stability.

3. **Specific comments**

3.1. *The European Semester and the involvement of organised civil society*

3.1.1. The European Semester is still the principal, well-established framework for more effective coordination policies between Member States. Such coordination has paid off, as EU post-COVID recovery has been the fastest since the post-war boom and our labour markets have proved resilient, with record high employment. As part of the European Semester and the implementation of the Recovery and Resilience Facility (including its additional REPowerEU strand), the EESC will continue to be at the core of the transformation process to achieve competitive sustainability. In line with this, the EESC will continue to advocate that consultation with OCS play a bigger role throughout the European Semester cycle in order to take into account the various interests in society and to strengthen national ownership.

3.1.2. The EESC is currently carrying out a consultation exercise with OCS in the Member States in order to obtain their recommendations in this respect ([1]). Therefore, the EESC welcomes the Commission's initiative, announced in July 2022 ([2]), to present this year a Communication on strengthening social dialogue in the EU and a proposal for a Council Recommendation on the role of social dialogue at national level.

3.1.3. The EESC encourages the European Commission to expand and provide a clear framework for the existing forums under the European Semester to inform and involve the social partners and civil society organisations throughout the Semester cycle, so that they genuinely become relevant players in the coordination of fiscal, economic, social and employment policies at EU level.

3.2. *Geopolitical crisis — war in Ukraine*

3.2.1. The fallout of Russia's invasion of Ukraine presents the EU economy and society with multiple new economic difficulties, affecting its overall economic and social stability and energy supplies. The EU must continue to pursue both competitive sustainability and social and economic resilience together. In the immediate future, support measures are required to cushion the impact of Russia's aggression against Ukraine on Europeans and EU firms, in particular small and medium-sized enterprises (SMEs) and low and middle-income earners.

([1]) The results will be summarised and clear recommendations formulated in an own-initiative opinion to be presented to the plenary in April 2023.
EESC own-initiative opinion — *The EESC's recommendations for a solid reform of the European Semester* (ECO/600), to be presented for adoption in April 2023.

([2]) Review report on the implementation of the Recovery and Resilience Facility — 29.7.2022.

3.2.2. The energy crisis, in particular, is the most relevant factor: combined with a very high level of inflation, it will have a major impact in the long term. In this regard, the EESC emphasises the need for immediate action to prevent the situation from worsening further in the short and medium term, while also managing the green transition fairly. In many countries, energy production is not at the same level as energy consumption.

3.2.3. The EESC believes that the possibility of increasing production and taking advantage of the given conditions and resources available in some countries, such as solar, wave and wind energy, has yet to be explored by some governments, which have not yet put in place plans to produce energy from their own resources. One of the reasons for this is the over-complex or ill-conceived legislation and excessive bureaucracy that still exist in many Member States. This does not facilitate the production of green energy, despite the enormous potential. We must dare to make the necessary collective efforts. This requires investment, especially from the private sector. However, public investment will continue to play a major role in achieving the targets of the Green Deal as well as in safeguarding our future prosperity and competitiveness and enhancing the EU's strategic autonomy. This should also be reflected in the cohesion policy.

3.3. *Inflation*

3.3.1. The high level of inflation, triggered in particular by sharply rising energy prices, is having a very negative impact on workers and businesses, financial stability, purchasing power parity and economic and social stability. Inflation in the world and in the EU is a complex phenomenon, in terms of both its origin and its solutions. Its most immediate and important factors are the supply bottlenecks in the process of rapid recovery from the pandemic recession, in a context of expansionary monetary policy, combined with the energy crisis triggered by the Russian invasion of Ukraine. Inflation affects all economic actors and social groups, especially the weakest and most disadvantaged. Workers and consumers are seeing their purchasing power decline and many companies are seeing their profit margins reduced. Only speculators and certain economic sectors, such as the energy sector, are seeing their profits rise sharply. In order to cope with inflation, Member States have adopted different approaches to control it, such as support to avoid price increases in the food sectors, efforts to keep wages in balance, combined with economic policies. We are still far from reaching our goals and from a solution that would safeguard economic and social welfare.

3.3.2. The Competition Authorities must be rigorously active in ensuring price transparency and being alert for any possible market failures. Governments must be careful to ensure their pronouncements are based on the best empirical analysis, avoiding unsubstantiated criticism of commercial actors as it can lead to conflict between citizens, companies and social partners.

3.3.3. The fight against inflation must be the top priority of a coordinated European economic policy between the EU institutions and national governments. The European Central Bank (ECB) and national central banks, in tightening monetary policies, must take into account that the inflationary process is not caused by excess demand and prevent their decisions from leading to a new recession. The EESC encourages the ECB to lower core inflation without compromising the EU's economic recovery. Because of the aforementioned risks, the ECB should proceed cautiously in normalising monetary policy ([3]). The EU and national governments must put in place measures to help the most disadvantaged sectors of the population and the hardest hit companies. Tripartite consultation, social dialogue and collective bargaining must become key instruments to address the inflationary crisis through fair burden sharing and to design measures to overcome it in the various sectors of the economy. The EESC is therefore in favour of measures such as an energy price brake in order to moderate inflationary tendencies.

3.4. *The EU's environmental objectives/Energy crisis*

3.4.1. The EESC continues to advocate what it has been advocating in recent months: despite the new crises, we cannot abandon the objectives set at EU level: decarbonisation and environmental sustainability. We must strengthen businesses and workers and empower all citizens to face the difficulties in order to pursue our long-term environmental objectives.

([3]) EESC opinion — Additional considerations on the Euro area economic policy 2022 (OJ C 75, 28.2.2023, p. 43).

3.4.2. The EESC is therefore in favour of measures to coordinate energy prices in order to moderate inflationary tendencies. Lower energy prices should be one of the priorities of EU economic policy. The EESC supports the capping of electricity and gas prices and points out that in previous opinions and resolutions it has called for urgent reform of the marginal auction system in the wholesale electricity market, due to its inherently inflationary nature. Investment in green energy is fundamental to achieving this purpose.

3.4.3. The Commission presented the REPowerEU Plan to make the EU independent of Russian gas and oil supply, and the EESC welcomed it and agreed with the four-pillar approach focusing on energy saving, diversifying gas imports, and replacing fossil fuels by accelerating renewables and financing solutions ([4]). At the same time the EESC calls for security of supply to be guaranteed at an 'affordable as possible' cost for both consumers and industry. The EESC points out that Member States' modification of their national Recovery and Resilient Plans in order to submit a dedicated REPowerEU chapter is an additional opportunity for them to consult organised civil society and to take its views into account.

3.4.4. The EESC stresses that further initiatives might be necessary to ensure that sufficient private and public capital is mobilised for the green transition. Moreover, the EESC believes that better coordination of the use of existing financial funds must be a priority. The communication process on this issue would be very useful in mobilising citizens towards a common goal.

3.5. *Social and economic crisis/Lack of skills and qualified people*

3.5.1. Although the unemployment rate in the EU is only 6 %, we are still faced with the difficulty of finding people with the necessary skills to bring about the reconstruction and resilience of our economy and to achieve our twin transition objectives. There is a significant shortage of skilled people for many key jobs in some countries, not least because many young people are leaving their countries to work elsewhere. In addition to the key training to be promoted, we lose a significant proportion of skilled employees once they are trained. In order to strengthen the EU's autonomous strategy, we want to get back some of the production lines in Europe, but we do not have the skilled people to work in these factories in Europe. This situation must be addressed on an ongoing basis.

3.5.2. The EESC emphasises that providing high-quality jobs is one the best ways to attract highly qualified people. In addition, providing fair living wages, ensuring formal working relationships to avoid precarious working conditions, offering extensive upskilling programmes, providing excellent health and safety conditions and striving for gender balance, together with adequate social protection at national level, are not only goals in themselves, but are also the basis for favourable economic and political development. Moreover, the EESC calls for the responsible use of balanced and combined policies (between public and private training systems to make better use of available financial resources) in the context of training and upskilling.

3.6. *Public and private debt and investments*

3.6.1. The EU faces an urgent and growing need for public and private investment to achieve the objectives of the Green Deal and the digital transformation, to accelerate the energy transition and to meet the new challenges of strategic autonomy. On the one hand, the Union has to overcome the investment deficit of the last decade, and on the other hand, the majority of Member States have to reduce their public deficit and debt. This must be done in a very balanced but decisive way.

3.6.2. At the same time, the Committee believes that it is essential, before any extraordinary increase in EU resources for public investment and the promotion of private investment, that all existing resources in the various programmes — Structural and Cohesion Funds, RRF, InvestEU, etc. — should be fully utilised. To this end, the greatest possible degree of flexibility in their use — in terms of both objectives and implementation deadlines — should be provided, always compatible with rigorous monitoring of their proper implementation. The EESC believes that the idea of common projects between Member States could be an interesting idea to stimulate investment and structural reforms.

3.6.3. The EESC underlines that progress is needed in completing the Capital Markets and Banking Union to guarantee a well-functioning financial sector and markets, which are crucial to fund the very large investments needed for the green and digital transitions. Deepening the Capital Markets Union and the Banking Union while also establishing the sustainable finance agenda would consolidate funding channels, promote investment efforts and increase resilience.

([4]) EESC opinion — *REPowerEU Plan* – adopted on 21.9.2022 (OJ C 486, 21.12.2022, p. 185).

3.6.4. Both the COVID-19 crisis and the Russian invasion have had a significant negative impact on external balance. The EESC calls for an increase in investment as the main driver of the EU's competitiveness.

3.6.5. The EESC believes that Member States should be more efficient in using the resources already available before asking for new ones. Furthermore, the EESC calls for greater flexibility in the use of EU financial funds in order to redirect them if they cannot be used for the purposes for which they were originally intended or if social, economic, environmental or defence challenges require adaptation. Where necessary, the EU should also create the appropriate conditions and instruments to increase public investment and facilitate greater mobilisation of private investment. This must be done in pursuit of common strategic and autonomy objectives, and without undermining or unbalancing the functioning of the EU single market. Moreover, the EESC stresses the need for more efficiency in the use of the financial resources allocated: Member States must commit to explaining where and how these financial resources are spent. The EESC also points to efficient collecting of revenues in the context of fiscal sustainability. For example, aggressive tax planning and fraud also cause severe damage to public budgets. All in all, sustainable and inclusive growth is the best basis for fiscal stability. Notwithstanding the above, the completion of the Green Deal Industrial Plan and the objective of achieving strategic energy and industrial autonomy, while respecting the fundamental principles of the single market, will require additional European funding, as proposed in an EESC resolution adopted in May 2022 ([5]).

Brussels, 23 February 2023.

The President
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([5]) OJ C 323, 26.8.2022, p. 1