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The Annual Sustainable Growth Strategy 2021

OPINION

European Economic and Social Committee

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 Strategy 2021

[COM(2020) 575 final]

Rapporteur: **Krzysztof BALON**

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1. **Conclusions and recommendations**

- 1.1 The European Economic and Social Committee (EESC) welcomes the fact that the Recovery and Resilience Facility Regulation has finally confirmed the importance of genuine involvement of civil society organisations and social partners in the development of national recovery and resilience plans. It also advocates the establishment of a binding conditionality principle requiring governments to involve social partners and other civil society organisations in planning and implementing national recovery and resilience plans and other instruments under the Multiannual Financial Framework (MFF), on the basis of minimum standards defined at EU level.
- 1.2 The EESC is convinced that in order for the joint actions as part of the Annual Sustainable Growth Strategy 2021 to be effective and for the European Recovery and Resilience Facility to be implemented successfully, it is essential that conditions favouring economic development be strengthened and, above all, that the Single Market continue to be fully functional. This particularly concerns preventing disruptions to the free movement of people and goods. Maintaining open borders in the Schengen area is still a key issue for recovery and increasing resilience as well as for fostering European solidarity and identity. The EESC believes that Member States should not introduce any regulations that directly or indirectly restrict freedom of movement unless coordinated at EU level.
- 1.3 The EESC notes that public debt arising from borrowing to finance programmes under the Recovery and Resilience Facility should not burden future generations in the EU. In that connection, the EESC recommends Member States earmark funds from the Facility for budgetary expenditure relating to the current crisis, and take it as an opportunity to make our economies and societies sustainable and equitable. The EESC also acknowledges that public investment into infrastructure and education is needed in order to ensure economic, social and environmental sustainability for future generations. Moreover, this is also the base to secure prosperity, income and competitiveness in the long run.
- 1.4 At the same time, given that loans under the Facility are an exceptional measure in exceptional circumstances, the EESC suggests considering not counting them in the medium term towards a Member State's budget deficit in the EU's fiscal framework. In addition, it is necessary to continue fiscal policies that support economic development, which is why the EESC warns against phasing out support measures, such as the escape clause, too early and advocates the establishment of new fiscal rules that reflect social and economic realities after the pandemic.
- 1.5 The EESC welcomes the appropriate steps taken, in the Annual Sustainable Growth Strategy 2021, to address the challenges of the COVID-19 pandemic in the context of the European Green Deal. This means that efforts towards a more sustainable and socially inclusive economic model and, in particular, towards the transition to a green model of growth will continue. However, the EESC stresses that a prerequisite for the success of the green transition is for the national recovery and resilience plans to be in line with the proposed territorial just transition plans under the Just Transition Mechanism.

- 1.6 The EESC believes that the digital transition should not only contribute to productivity gains, but also improve education and the political, social and cultural participation of everyone living in the EU. As part of support for equality in access to digital infrastructure, equipment and skills, special attention should be paid to older people, people with disabilities, people at risk of social exclusion and other vulnerable groups. The EESC takes the view that one of the objectives of the digital transition should be to establish universal access to broadband internet as a public service free of charge for all EU residents.
- 1.7 The EESC regrets that the strategy devotes too little attention to social issues, particularly in view of the urgent need for consistent implementation of the European Pillar of Social Rights. Likewise, the Committee notes with concern that the approach proposed in the strategy is not entirely sustainable. Efforts to move rapidly towards a green and digital economy must not result in a further increase in poverty and greater social exclusion. It will be crucial to ensure a balanced distribution of the benefits of the economic recovery, which will contribute not only to improving social justice, but also to stabilising demand as a precondition for economic recovery.
- 1.8 The EESC believes that the current socio-economic situation for young people, including the postponement of key life decisions such as starting a family, could have a negative impact on the future development of the EU. The Committee therefore calls for a smooth implementation of the reinforced Youth Guarantee programme and the accompanying initiatives.
- 1.9 One of the measures to ensure the stability of public finances should, in the EESC's view, be to increase the effectiveness of existing instruments and introduce, both at EU and Member State level, new instruments to combat tax evasion, undeclared work and the shadow economy which is linked to insufficient protection of workers' rights, money laundering and corruption, including with regard to transnational corporations.
- 1.10 The EESC recommends that the joint, coordinated European flagships proposed by the European Commission (EC) be reviewed so that they take greater account of the social aspects of the transition, and that development of the social economy in conjunction with the European Action Plan for the Social Economy and ensuring equal access to affordable and high-quality healthcare systems and social services should be added to the list of initiatives.
- 1.11 The EESC recommends that the EC draw up an additional document presenting the content of the Communication in a clearer and simpler way so that it can be debated within civil society organisations.

2. **Introduction**

- 2.1 On 17 September 2020, the EC published its Communication *Annual Sustainable Growth Strategy 2021*¹ and asked the EESC for an opinion on it on 11 November 2020. The EESC fully supports the idea behind the Commission Communication, which points out the need to protect EU citizens, their health and jobs while also ensuring fairness, resilience and macroeconomic

¹ [COM\(2020\) 575 final](#).

stability throughout the EU in the face of the sudden and deep recession caused by the COVID-19 pandemic.

- 2.2 The strategy focuses on overcoming the sudden and deep recession caused by the COVID-19 pandemic while also keeping the Single Market running smoothly and continuing the sustainable, fair and democratic transition towards the European Green Deal in line with the UN Sustainable Development Goals. The EESC notes, however, that although the EC document refers to 2021 in its title, its content pertains more to the medium-term perspective.
- 2.3 The Commission points out the landmark importance of the agreement reached by the European Council on 21 July 2020 on the next MFF and the Next Generation EU initiative, including the Recovery and Resilience Facility. This agreement was confirmed jointly with the European Parliament in December 2020, which allowed related legislation at European level to enter into force. However, it is equally important that Member States swiftly carry out the procedures for approving the Own Resources Decision, in accordance with their respective constitutional procedures, which allows the Commission to borrow on the market to finance programmes under this instrument.
- 2.4 The EESC shares the view expressed in the Communication that in order for the joint actions as part of the Annual Sustainable Growth Strategy 2021 to be effective and for the European Recovery and Resilience Facility to be implemented successfully, it is essential that the Single Market continue to be fully functional. This particularly concerns preventing disruptions to the free movement of people and goods. Therefore, the EESC welcomes the Council's recommendation on a common and coordinated approach to restrictions on free movement adopted on 12 October 2020². Maintaining open borders, including not introducing border controls, in the Schengen area is a key issue for recovery and increasing resilience as well as for fostering European solidarity and identity. Member States should not introduce any regulations that directly or indirectly restrict freedom of movement unless coordinated at EU level.
- 2.5 The EESC believes that measures to create a more business-friendly environment will enable the private sector to fulfil its role in achieving the objectives of the strategy. Such actions could include reducing the administrative burden for SMEs, lowering market entry barriers for new businesses, addressing the shortage of essential skills, facilitating the financing of business ventures and adapting the rules to new types of economic risk.
- 2.6 Environmental sustainability, productivity, fairness and macroeconomic stability, which were identified as key dimensions in the Annual Sustainable Growth Strategy 2021, are at the heart of the European Semester and remain the guiding principles of Member States' recovery and resilience plans. At the same time, the EESC points to the need to review the Council recommendations issued in previous years in the context of the European Semester in terms of how feasible they are in the economic and social context caused by the pandemic.

² [COVID-19: Council adopts a recommendation to coordinate measures affecting free movement.](#)

3. **The European Recovery and Resilience Facility – Towards competitive sustainability**

- 3.1 The Recovery and Resilience Facility, as a core component of the Next Generation EU initiative, is to be one of the main tools for economic recovery. Effective implementation of the instrument could provide 2% of additional GDP by 2024 and create two million additional jobs³. At the same time, the EESC stresses that while the instrument, in the short term, is intended primarily for recovery and increased resilience, its main function in the medium to long term should be to support the green and digital transitions.
- 3.2 In order to ensure synergies, Member States will, under certain conditions, be able to combine funding from different instruments, in particular EU cohesion policy funds and the Recovery and Resilience Facility. Also in this context, it is necessary to increase the absorption capacity of EU funds by Member States, including through appropriate mechanisms for the rule of law and good governance, high-quality public administration and effectively fighting against corruption, and to align the European Semester with the activation of the Facility, including linking the National Reform Programme and the recovery and resilience plan in a single integrated document.
- 3.3 The EESC welcomes the establishment of a scoreboard as part of the instrument which will be updated every six months. In the EESC's view, it will contribute to greater transparency, which could help significantly increase the level of trust between Member States. It will also help monitor the distribution and use of funds, as well as to disseminate best practices from the countries where funds are used.
- 3.4 At the same time, the EESC recognises the potential risk that Member States could use the Facility's resources for budgetary expenditure that is not linked to the current crisis. The Committee therefore recommends that their targeted use be subject to strict control.
- 3.5 The EESC believes that the Next Generation EU initiative has been developed and adopted in the right form and at the right time. By providing financial support, it will ensure the economic recovery and can help the EU emerge from the current crisis stronger and more resilient through public investment in infrastructure, education and measures to overcome the climate crisis. However, it should be borne in mind that loans taken out to finance programmes under the Recovery and Resilience Facility will have to be reimbursed in the future. The Commission document could address a second scenario to finance the plan taking into account the possibility of future crises. However, the EESC also acknowledges, that public investment into infrastructure and education is needed in order to ensure economic, social and environmental sustainability for future generations. Moreover, this is also the base to secure prosperity, income and competitiveness in the long run.

4. **Green transition**

- 4.1 The EESC welcomes the appropriate steps taken to address the challenges of the COVID-19 pandemic in the context of the European Green Deal. This means that despite the turbulence

³ [COM\(2020\) 575 final, page 2](#)

linked to the global challenge of COVID-19, the previously declared efforts towards a more sustainable and socially inclusive economic model, the Sustainable Development Goals and, in particular, towards the transition to a green model of growth will continue. The transition to the European Green Deal creates a particular opportunity for the development of businesses based on the social economy model.

4.2 In this context, the EESC supports the opinion of the European institutions that national recovery and resilience plans should allocate at least 37% of expenditure to climate-related objectives.

4.3 The EESC stresses that a prerequisite for the success of the green transition is for the national recovery and resilience plans to be in line with the proposed territorial just transition plans under the Just Transition Mechanism.

5. **Digital transition and productivity**

5.1 The EESC supports setting a minimum level of 20% of expenditure on digitalisation in the national recovery and resilience plans.

5.2 At the same time, the Committee warns against treating digitalisation as a purely productivity-enhancing instrument. The digital transition should contribute to improving the broader education, quality of life and political, social and cultural participation of the whole EU population.

5.3 The EESC therefore shares the view the EC expressed in the Communication that equality of access to digital infrastructure, equipment and skills should be promoted. In the EESC's view, special attention should be paid to promoting the digital access and skills of older people, people with disabilities and those at risk of social exclusion. The EESC also believes that one of the objectives of the digital transition should be to ensure universal access to broadband internet as a public service free of charge for all EU residents.

6. **Fairness**

6.1 The COVID-19 pandemic has revealed the urgent need to take action to strengthen social justice. The crisis is likely to exacerbate social inequalities, including wealth and income disparities, differences in access to healthcare and education, housing and life expectancy. Rising poverty and social exclusion and fear of the future and loss of prosperity will affect many EU citizens in 2021. In this context, it will be crucial to ensure a balanced distribution of the benefits of economic recovery to ensure greater achievement of social justice and to stabilise demand, which is a precondition for economic recovery.

6.2 The crisis we are experiencing should also be seen as an opportunity to reshape Europe's socio-economic model. The Recovery and Resilience Facility should promote a European model of

economic and social development based on social inclusion and the creation and support of good quality jobs⁴.

- 6.3 The strategy devotes too little attention to social issues. This concerns in particular the urgent need for the European Pillar of Social Rights to also be consistently implemented at the level of Member States, which should take action to ensure equal opportunities, inclusive education, fair working conditions, universal accessibility and affordability of services of general interest and adequate social protection. Efforts to move rapidly towards a green and digital economy must not result in a further increase in poverty and social exclusion. Therefore, close monitoring of the economic consequences is not sufficient to respond effectively to the impact of the COVID-19 pandemic. It is also necessary to monitor social indicators and not only in terms of employment but also in terms of social exclusion, increasing disparities and discrimination.
- 6.4 The crisis has shown the importance of maintaining existing jobs and creating new jobs and strengthening social security systems. Millions of people working without social security have lost their livelihoods. Reforms leading to higher quality and more secure employment and maintaining and developing employment support programmes are therefore necessary. The EESC agrees with the overall objective that further efforts are needed regarding convergence of wages and establishing adequate minimum wages in the Member States as well as strengthening collective bargaining systems and the role of social partners across EU, in line with national industrial relations systems. The Commission has presented its proposal for a Directive to address these objectives and the EESC is working on its opinion concerning this proposal. The EESC also calls for an adequate level of security and a decent life for those who have lost their jobs.
- 6.5 The EESC welcomes the efforts set out in the Communication to achieve greater socio-economic cohesion and to more strongly encourage the employment of young people, women, people from risk groups or those at risk of exclusion. However, the Committee stresses it is necessary to make even more efforts in this area, to carry out bolder and more concrete initiatives and incentives for action and to support all stakeholders.
- 6.6 The EESC is concerned that the strategy does not sufficiently consider the current socio-economic situation for young people, including the postponement of key life decisions such as starting a family, which could have a negative impact on the future development of the EU. The Committee therefore calls for swift implementation of the reinforced Youth Guarantee and the accompanying initiatives which will ensure that young people have better access to the labour market and the possibility of receiving various forms of support. Otherwise, completely contrary to the idea of Next Generation EU, there may be a "Coronavirus pandemic generation" that will never reach its full potential.
- 6.7 Another group particularly affected by the crisis is older workers who are pushed out of the labour market. This not only undermines the social balance between generations, but also negatively affects social security systems both currently and in the future.

⁴ [How good is your job? Measuring and assessing job quality](#) (OECD, February 2016)

- 6.8 The EESC welcomes the strategy's intention to promote convergence and increase the resilience of regions in order to reduce territorial disparities. However, it is worrying that the resources provided for the Just Transition Fund have been reduced compared to the original EC proposal, all the more so as direct public investment, the creation of alternative industries and new businesses in the areas most affected by the climate transition will be necessary. In this context, the EESC also points to the need to adapt the rules on state aid skilfully.
- 6.9 The EESC believes that achieving the vision proposed in the strategy may come up against a lack of full acceptance and understanding, as there are no new governance mechanisms whereby citizens and businesses, as well as public and private actors at local and regional level, can be proactively involved in the process of defining and solving problems at local level. The values set out in the European shared governance model specified in the 2001 White Paper could be helpful in this respect.

7. **Macroeconomic stability**

- 7.1 The EESC advocates a balanced approach between the stability of public finances and the promotion of economic development through an active public investment policy and a public procurement system that takes account of social objectives. The success of the economic and social recovery and of the green and digital transitions will depend not only on private investment but also on adequate public funding.
- 7.2 In order to ensure the stability of public finances, the EESC considers it essential to make existing instruments more effective and introduce, both at EU and Member State level, new instruments to combat tax evasion, undeclared work, overuse of forms of employment that do not sufficiently protect workers' rights, the shadow economy, money laundering and corruption, including with regard to transnational corporations.
- 7.3 The continuation of fiscal policies that support building confidence, addressing the problem of inequalities and avoiding further risks is necessary. The EESC therefore warns against phasing out support measures, such as the escape clause, too early. If the escape clause remains active only until the end of 2021, Member States will be obliged to gradually reduce their deficits from 2022. Loans under the Facility will be an opportunity for Member States on the one hand to boost growth and liquidity in their economies, while on the other hand leading to an increase in budget deficits. This creates a contradictory situation where the capacity to stimulate growth provided by the Facility's loans may be limited if Member States are required at the same time to take additional measures to consolidate their public finances.
- 7.4 In this context, and given that these loans are an exceptional measure in exceptional circumstances, it may be useful to introduce specific rules for handling them in the EU fiscal framework, for example not counting them in the budget deficit of a Member State.
- 7.5 In addition, the EESC proposes the establishment of new fiscal rules reflecting economic and social realities after the pandemic.

7.6 The EESC fully supports the need expressed in the Communication to ensure high-quality and efficient public administration and services of general interest, while noting that this means that in some Member States it is necessary to ensure decent and stable employment conditions.

7.7 Budgetary deficits linked to the costs of emerging from the crisis are making joining the European single currency a more distant prospect for those Member States that have yet to do so, and are contributing to a decline in confidence in the euro. The EESC therefore considers it necessary to review the criteria for joining the euro area, and to carry out measures to stabilise the euro in relation to other leading currencies and cryptocurrencies.

8. **European flagships**

8.1 The EESC welcomes the EC's intention to define common, coordinated European flagships and that the EC strongly encourages Member States to take account of these initiatives in their national recovery and resilience plans.

8.2 At the same time, the EESC calls for a review of the proposed initiatives so that they would take greater account of the social aspects of the transition and better contribute to the achievement of the UN's 2030 Sustainable Development Goals (SDGs) and the six EC priorities for 2019-2024⁵.

8.3 In addition, the EESC proposes that the list of European flagships also include the development of the social economy, in conjunction with the European Action Plan for the Social Economy, and measures to promote equal access to affordable and high-quality healthcare systems and social services, taking into account local circumstances for provision of services.

9. **The role of civil society and social and civil dialogue**

9.1 In order to overcome the crisis and effectively implement the Next Generation EU initiative, the EU requires action from all its citizens. The EESC therefore welcomes the fact the Recovery and Resilience Facility Regulation, approved in December 2020, has finally confirmed the importance of genuine involvement of civil society organisations and social partners in the development of national recovery and resilience plans. In accordance with Article 18(4)(q) of the Regulation⁶, national recovery and resilience plans must include a summary of the consultation process carried out with local and regional authorities, social partners, civil society organisations, youth organisations and other relevant stakeholders for the preparation and implementation of the plan and information on how the input of stakeholders is reflected in the plan. The EESC stresses the key role of the social partners and other civil society organisations in the planning, implementation and evaluation of both the Recovery and Resilience Facility and other elements of the European Semester in the Member States.

⁵ https://ec.europa.eu/info/strategy/priorities-2019-2024_en

⁶ [OJ L 57, 18.2.2021, p. 17.](#)

- 9.2 The EESC welcomes the inclusion of democracy in the Communication as a key value in the measures taken in relation to the strategy. At the same time, it recognises that the wording in this area is not substantive and has not been sufficiently taken into account in the planned activities, such as those related to the implementation of the European flagships, or in recognising the partnership role of civil society organisations as key actors of participatory democracy.
- 9.3 Sacrifices and constraints related to the crisis will be much easier to overcome if accompanied by broad inclusion of civil society organisations in managing crises and organising information campaigns particularly at the local and regional level. Local media and educational institutions should support civil society in this regard. Member States should be encouraged to provide financial support for such activities, including through EU funds, where possible.
- 9.4 The EESC strongly encourages Member States, regions and local authorities to put into practice the model of co-creation advocated by the EC in the process of creating policies, programmes and actions *jointly* with EU citizens, rather than *for* them.
- 9.5 The EESC has repeatedly called for the social partners and other civil society organisations to be more closely involved in the European Semester process. Consistent adherence to the partnership principle in the planning, implementation and evaluation of national recovery and resilience plans is, more than ever under the current crisis conditions, a prerequisite for successfully implementing them. The quality of public dialogue and consultation deteriorated dramatically, especially during the first phase of the crisis. This has in many cases led to poor quality of legislation and difficulties implementing it, especially for businesses. In addition, the EESC draws attention to the lack of reference to collective bargaining in the EC communication.
- 9.6 For this reason, also taking into account input from Member States to prepare a resolution on the role of civil society in national recovery and resilience plans, the EESC strongly supports the establishment of a binding conditionality principle. According to this principle, governments will be required to involve civil society in the planning and implementation of these plans on the basis of minimum standards defined at EU level.
- 9.7 The EESC also stresses the crucial importance of dialogue with the younger generation of the EU – Next Generation EU – including through civil dialogue with youth organisations.
- 9.8 The language of the Commission's communication, which was addressed to EU institutions and bodies, is not easy to understand for a wide range of the EU population, so it will be difficult to discuss it in civil society organisations⁷. The EESC therefore proposes that the EC draw up an additional document presenting the content of the Communication in a clearer and simpler way.

Brussels, 25 February 2021

⁷ [COM\(2020\) 698 final](#) could serve as a positive example of the use of simpler language in the Commission's communications.

Christa Schweng
The president of the European Economic and Social Committee
