FOLLOW-UP PROVIDED BY THE EUROPEAN COMMISSION

TO THE OPINIONS OF THE

EUROPEAN ECONOMIC AND SOCIAL COMMITTEE

PLENARY SESSION OF JANUARY 2024[1]

[1] Including the follow-up to one opinion adopted during the June 2023 Plenary session, two opinions adopted during the October 2023 and one adopted during the December 2023 Plenary session.

N°	Title	References
HOME		
1 Assoc DG JUST	**Corruption in public procurement/internal market (own-initiative opinion)** Rapporteur: José Antonio MORENO DÍAZ (ES-II) Co-rapporteur: Cristian PÎRVULESCU (RO-III)	INT/1023 EESC-2023-01711-00-00-AC
EMPL		
2	**Combatting poverty and social exclusion: harnessing the power of the social economy and socio-economic innovations (exploratory opinion requested by the Belgian Presidency of the Council of the EU)** Rapporteur: Alain COHEUR (BE-III) Co-rapporteur: Ferdinand WYCKMANS (BE-II)	INT/1044 EESC-2023-04016-00-00-AC
RTD		
3	**European Innovation Stress Test (exploratory opinion requested by the Belgian Presidency of the Council of the EU)** Rapporteur: Olivier JORIS (BE-I)	INT/1045 EESC-2023-03692-00-01-AC
TAXUD		
4	**Establishing a Head Office Tax system for SMEs (HOT)** Rapporteur: Katrīna ZARIŅA (LV-I)	ECO/632 COM(2023) 528 final EESC-2023-04262-00-01-AC
ECFIN		
5	**Euro area economic policy 2024** Rapporteur: Konstantinos DIAMANTOUROS (EL-I)	ECO/633 COM(2023) 903 final EESC-2023-04821-00-00-AC
MARE		
6	**Targets for fixing fishing opportunities** Rapporteur-general: Panagiotis GKOFAS (EL-III)	NAT/923 COM(2023) 771 final EESC-2024-00004-00-00-AC
EEAS		
7	**Addressing the impact of climate change and environmental degradation on peace, security and defence** Rapporteur: Ozlem YILDIRIM (FR-II)	REX/578 JOIN(2023) 19 final EESC-2023-03725-00-02-AC

AGRI		
8	**Promoting autonomous and sustainable food production: strategies for the Common Agricultural Policy post-2027** **(exploratory opinion requested by the Belgian Presidency of the Council of the EU)** Rapporteur: Stoyan TCHOUKANOV (BG-III)	NAT/913 EESC-2023-03963-00-00-AC
ENER		
9	**Cross-border energy infrastructure planning** **(exploratory opinion requested by the Belgian Presidency of the Council of the EU)** Rapporteur: Thomas KATTNIG (AT-II)	TEN/823 EESC-2023-03641-00-00-AC
GROW		
10	**European cross-border associations** Rapporteur: Giuseppe GUERINI (IT-III)	INT/1046 COM(2023) 515 final COM(2023) 516 final EESC-2023-04411-00-00-AC
11	**New European strategy for the Internal Market** **(exploratory opinion requested by the Belgian Presidency of the Council of the EU)** Rapporteur: Sandra PARTHIE (DE-I) Co-rapporteur: Alain COHEUR (BE-III)	INT/1043 EESC-2023-03693-00-00-AC
12	**Revision of the late payments Directive** Rapporteurs: Alena MASTANTUONO (CZ-I), Angelo PAGLIARA (IT-II) and Panagiotis GKOFAS (EL-III)	INT/1041 COM(2023) 533 final EESC-2023-03705-00-00-AC
***** OPINIONS ADOPTED DURING PREVIOUS PLENARY SESSIONS *****		
GROW		
13 Opinion adopted during the Plenary session of October 2023	**Modern Business Responsibility - Avenues for elevating MSMEs ability for successful transformation** **(Own-initiative opinion)** Rapporteurs: Milena ANGELOVA (BG-I), Ferdinand WYCKMANS (BE-II), Rudolf KOLBE (AT-III)	INT/1020 EESC-2023-01160-00-00-AC

CNET/EEAS/EDA		
14 Opinion adopted during the Plenary session of June 2023	**Proposal for an EU cyber defence policy (Own-initiative opinion)** Rapporteur: Anastasis YIAPANIS (CY-III) Co-rapporteur: Alberto MAZZOLA (IT – Cat. 1)	CCMI/202 EESC-2022-05106-00-01-AC
EAC (Assoc REGIO)		
15 Opinion adopted during the Plenary session of December 2023	**The role of youth in rural development (Own-initiative opinion)** Rapporteur: Nicoletta MERLO (IT-II)	NAT/893 EESC-2023-01996-00-01-AC
ESTAT/ENV		
16 Opinion adopted during the Plenary session of October 2023	**Revised monitoring framework for the circular economy** Rapporteur: Cillian LOHAN (IE-III)	NAT/912 COM(2023) 306 final EESC-2023-03270-00-00-AC

N°1	**Corruption in public procurement/internal market (own-initiative opinion)** **EESC 2023-01711 – INT/1023** **584th Plenary Session – January 2024** **Rapporteur: José Antonio MORENO DÍAZ (ES-II)Co-rapporteur: Cristian PÎRVULESCU (RO-III)** **DG HOME – Commissioner JOHANSSON**
Points of the European Economic and Social Committee opinion considered essential	**European Commission position**
1.3. Corruption is considered a serious crime with a cross-border dimension, as defined by Article 83(1) TFEU. In order to ensure a minimum level of coordination and harmonisation in the legal and institutional practices of the Member States, the EESC considers that the European Parliament and the Council should adopt the Commission's proposal for a directive on the matter as soon as possible during this parliamentary term. […] 3.3. Firstly, the EESC considers that the European legislative framework is fragmented, with the rules aimed at combating corruption (such as those on organised crime and laundering of the proceeds of crime) scattered across various unconnected instruments, including in the field of public procurement (see point 3.6)[2]. Moreover, an attempt is being made to remedy this situation with the Commission's regulatory initiative of 3 May 2023[3]. The EESC considers that the European Parliament and the Council should	The Commission welcomes the Committee's support for the proposal for a Directive on combating corruption[4] and its recognition of the great harm that corruption can inflict on our democracies. To overcome the existing fragmentation of the legislative framework, the proposal foresees one legal act for all corruption offences and sanctions, across all EU Member States**.** The proposal also foresees that the standards set out by the Directive for fighting corruption affecting the Union's financial interests are aligned with the proposed Directive, notably in terms of sanctions, aggravating and mitigating circumstances and limitation periods. Discussions concerning the proposal between the Commission, the European Parliament and the Council, are now underway and the Commission looks forward to continue to work constructively with them to reach an agreement in the near future.

[2] Gaglio et al., Strengthening the fight against corruption; assessing the EU legislative and policy framework, 2023.

[3] See the directive's proposal on combating corruption, etc., COM(2023) 234 final, and the communication quoted in footnote 2.

[4] https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM%3A2023%3A234%3AFIN

adopt the Commission's proposal for a directive as soon as possible, during this parliamentary term: the directive stipulates a common definition and framework to combat corruption at EU and Member State level. This is the most important step in ensuring a minimum level of coordination and harmonisation in the legal and institutional practices of the Member States. 3.4. Secondly, the EESC considers that the EU should not see corruption as primarily or exclusively relevant when EU funds are involved. Having direct competence and instruments to combat corruption related to EU funds does not mean that this is the only type of corruption which exists and needs to be addressed. Corruption directly affects individuals, businesses and communities which are not themselves receiving EU funding. Member States could end up effectively operating a two-tier system where EU projects and funding are on average less prone to be targeted by corrupt interests and practices than national ones, for which there is less transparency and monitoring. The 3 May 2023 Anti-Corruption Package, which addresses corruption across the board and not only in relation to EU funds, should be reinforced.	
1.4. The European Economic and Social Committee (EESC) considers that the Commission must reinstate the EU Anti-Corruption Report: this was instituted by the communication on Fighting Corruption in the EU in 2011, but discontinued after the first report in 2014. The report could be used to shine a spotlight on and integrate various dimensions of the fight against corruption that are currently given too little or no attention by the rule of law framework.	The Commission is monitoring significant developments, both positive and negative as regards the rule of law in Member States in the annual Rule of Law report. It covers four pillars: the justice system, the anti-corruption framework, media pluralism and freedom, and other institutional issues related to checks and balances. The report covers all aspects related to anti-corruption frameworks in Member States, namely the strategic

[…] 2.3. The EESC acknowledges the significant progress made in terms of fighting corruption in the EU and the Member States. Including anti-corruption efforts in work to safeguard the rule of law and drafting the *Rule of Law Report* both align anti-corruption efforts with other key aspects of democratic, trusted and effective governance (Article 2 TEU). As stated by the Commission, "The fight against corruption is essential to maintain the rule of law and preserve citizens' and companies' trust in public institutions. A comprehensive approach to fighting corruption must rely on a combination of preventive and punitive measures"[5]. 3.5. Thirdly, the EECS considers that the Commission must reinstate the EU Anti-corruption Report: this was instituted by the Communication on *Fighting Corruption in the EU in 2011*[6], but discontinued after the first report in 2014[7]. The report was a comprehensive analysis of the state of play of legislation, policies and data regarding corruption, with 28 Member State sections. The report could be used to shine a spotlight on and integrate various dimensions of the fight against corruption that are currently given too little or no attention by the rule of law framework. It should streamline various strands of policy and legislation to ensure coherence and effectiveness, including both rule of law aspects and economic and internal market ones.	framework as well as the prevention of and the fight against corruption. The report serves as a basis for discussions at both European and national level, as well as to prevent problems from emerging or deepening further. Identifying challenges as soon as possible and with mutual support from the Commission, other Member States, and stakeholders including the Council of Europe, could help Member States find solutions to safeguard and protect the rule of law and the fight against corruption. This instrument has been further strengthened with the addition of recommendations since the 2022 edition of the Report. The Commission has addressed a number of recommendations to Member States as regards their anti-corruption frameworks in this context.
1.16. The EESC looks forward to the institutionalisation and development of the EU network against corruption and is willing to	The Commission welcomes the Committee's interest to participate in the works of the EU network against

5 COM(2023) 800 final, paragraph 2.2.
6 COM(2011) 308 final, 6.6.2011.
7 COM(2014) 38 final, 3.2.2014.

participate in its work. The EESC encourages the European Commission to make available funding for public awareness campaigns on corruption and encourage good practices on socially responsible public procurement (SRPP).	corruption and looks forward to involve the Committee.
2.2. The injection of a vast amount of financial resources into the public procurement market attracts **crime** (organised and otherwise) and is also a challenge for public administrations called upon to organise urgent procedures in extraordinary, emergency situations. The Commission has declared that "No sector or area of activity is safe from **corruption risks**, but common high-risk areas deserve particular attention – usually those involving management of significant **public funds**[8]. According to some estimates, the total cost of corruption risk in public procurement contracts involving EU funds in the EU-27 between 2016 and 2021 is estimated to be EUR 4.3 billion[9].	Through its Joint Communication of 3 May 2023, the Commission has set-up an EU network against corruption, bringing together law enforcement, public authorities, practitioners, civil society and other stakeholders, will act as a catalyst for corruption prevention across the EU and will develop best practices and practical guidance. One key task of the Network will be to support the Commission to map common areas where corruption risks are high across the EU – including the area of public procurement. The work of the Network will feed into an EU anti-corruption strategy to maximise the impact and coherence of EU actions.
2.6. The European Commission, following the 3 May 2023 Anti-Corruption Package, has also instituted the EU network against corruption. The network is intended to be an umbrella forum where all stakeholders in the EU can exchange good practices, opportunities, ideas and plans for further work. It is inclusive, including independent civil society organisations, based on the strong belief that sharing different perspectives produces better results and a more effective anti-corruption policy[10].	

8 COM(2023) 800 final, p. 16 and p. 18.

9 European Parliament, Stepping up the EU's efforts to tackle corruption. Cost of Non-Europe Report, 2023, p. 2.

10 EU network against corruption.

<table>
<tr><td colspan="2">N°2 Combatting poverty and social exclusion: harnessing the power of social economy and socio-economic innovations
(exploratory opinion requested by the Belgian Presidency of the Council of the EU)
EESC 2023-04016 – INT/1044
584th Plenary Session – January 2023
Rapporteur: Alain COHEUR (BE-III)
Co-rapporteur: Ferdinand WYCKMANS (BE-II)
DG EMPL – Commissioner SCHMIT</td></tr>
<tr><td>Points of the European Economic and Social Committee opinion considered essential</td><td>European Commission position</td></tr>
<tr><td>1.2. In order to harness the full economic, industrial and societal potential of the social economy and to foster the social inclusion of all people, the EESC calls on the European Commission to push forward with its action plan for the social economy, to evaluate it in 2025 in order to feed into a new action plan, to actively support the implementation of the recommendation by the Member States and to explicitly integrate the social economy and social innovation policy into the next Commission work programme.

2.3.4. In order to unleash the full economic, industrial and societal potential of the social economy and to foster the social inclusion of all people, the EESC calls on the European Commission to push forward with its action plan for the social economy, to evaluate it in 2025, to draw up a new action plan for the social economy and to actively support the implementation of the recommendation by the Member States.</td><td>The Social economy action plan[11], adopted in 2021, provides a European framework until 2030 to support the development of the social economy. The Commission will take stock of the implementation of the action plan in 2025 and publish a report indicating progress and new developments.

The Council Recommendation on social economy framework conditions[12], adopted in November 2023, recommends Member States to take measures to acknowledge and support the role of the social economy. Member States will have two years to adopt or update their national strategies for the social economy. They will then monitor and evaluate the steps taken to achieve the objectives of the recommendation, and report to the Commission on their progress within four years of adoption of the recommendation (i.e. in 2027).

The Commission is committed to supporting the Member States in the implementation of the Recommendation including through workshops for public</td></tr>
</table>

11 https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52021DC0778
12 https://data.consilium.europa.eu/doc/document/ST-14113-2023-INIT/en/pdf

	officials and collecting data and conducting research on the social economy within the EU. The Commission has also launched the Social Economy Gateway[13], a one-stop-shop information website for social economy entities, on which stakeholders gave positive feedback.
1.5. The EESC calls on the Commission to include the social economy and social innovation in its initiatives to develop the lines of action set out in its foresight report, in order to increase, first and foremost, the participation of women in the labour market. Increasing this participation is still a challenge for the other vulnerable population groups, including people with disabilities, young people and those from other under represented or excluded groups who are not in employment, education or training, or who live in extreme poverty. 3.2.4. The EESC therefore calls on the Commission to include the social economy among the initiatives it will carry out in connection with developing the lines of action set out in its foresight report, in order to, inter alia, increase the participation of all population groups in the labour market, including women, people with disabilities, young people and those from other under-represented or excluded groups who are not in employment, education or training, or who live in extreme poverty.	In 2023, the Commission supported the integration of young people not in employment, education or training inter alia via two dedicated calls for proposals and a total budget of EUR 20 million. These calls are run by ESFA, the Lithuanian European Social Fund Agency, on behalf of the Commission, under indirect management. While the first call is complementing the Aim, Learn, Master, Achieve initiative (ALMA), the focus of the second call is on skills. The Council Recommendation on social economy framework conditions highlights the potential of social economy actors to increase the participation of women as well as disadvantaged and underrepresented groups in the labour market and calls on Member States to design policies and adopt measures that promote and mainstream gender equality in the social economy. In a broader context, social innovation actors, including social economy ones, are also supported through the European Social Innovation Competition under the EIC-Horizon Europe. This serves to incentivise and reward early-stage ideas on societal pressing issues, thereby shaping our society for the better.

13 https://social-economy-gateway.ec.europa.eu/index_en

	The Commission has also launched, together with the Organisation for Economic Co-operation and Development (OECD), the Youth Entrepreneurship Policy Academy. Its goal is to push Member States to design better support packages for aspiring (social) entrepreneurs.
2.4.4. The EESC calls on the Commission and the Member States to ensure that key instruments such as public procurement, structural funds and social services of general interest are used to support social innovation.	The Commission agrees on the importance of supporting social innovation. In public procurement for example, the 2014 Public Procurement Directives clearly allow environmental and social dimensions to be considered. In this regard, socially responsible public procurement (SRPP) invites public buyers to look beyond the price of products or services to consider also how they are produced, sourced and delivered. SRPP reinforces positive social outcomes such as promoting employment opportunities, decent work or social innovation. The Commission decided to reinforce its efforts to raise awareness, foster the exchange of good practices and train both public procurement officials and social economy entities on how to use public procurements to achieve social policy objectives. To this end, workshops are currently being organised in Member States and financed under the Single Market Programme. Member States enjoy from a wide power of appraisal as regards the definition and financing of Social Services of General Economic Interest. Member States are recommended to explore which services provided by social economy entities could be defined and financed as such.

3.2.5. […] The innovative "zero long-term unemployment zones" projects set up in various Member States (France, Belgium, the Netherlands and Austria) are another example of initiatives that create decent jobs that benefit the areas in which they are developed. The EESC encourages the Commission to support the creation and development of such initiatives, for instance by sharing and promoting best practices, for example through the new Social Economy Gateway platform.	The Commission has published a report on this topic in March 2024.[14] Furthermore, the Commission will support the further testing and scaling up of such innovative models via a dedicated call for proposals[15] in 2024 with a budget of EUR 23 million, launched on 18 April. This call is part of the Social Innovation+ Initiative, implemented by the Lithuanian ESFA. The zero-long term unemployment projects will also be part of the many experiences and best practices presented and discussed during the multilateral surveillance activities of the European Semester.

14 https://social-economy-gateway.ec.europa.eu/topics-focus/zero-long-term-unemployment_en

15 https://www.esf.lt/en/transnational-calls/innovative-approaches-tackling-long-term-unemployment/1430

N°3 European Innovation Stress Test (exploratory opinion requested by the Belgian Presidency of the Council of the EU) EESC 2023-03692 – INT/1045 584th Plenary Session – January 2024 Rapporteur: Olivier JORIS (BE-I) DG RTD – Commissioner IVANOVA	
Points of the European Economic and Social Committee opinion considered essential	**European Commission position**
1.7. Systematic use of a European Innovation Stress test should ensure that new policies and legislation contribute to routine implementation and use of existing policy initiatives, including innovation deals and the Better Regulation Toolbox #20-23, in accordance with the Innovation Principle. 2.3.4. Innovation-friendly policy instruments include Innovation Deals, Better Regulation toolbox tools #20-23 and the Innovation Principle. The systematic use and monitoring of the Innovation Stress Test should support and contribute to implementation of these existing policy instruments.	The proposed European Innovation Stress Test (EIST) recognises synergies with the Innovation Principle and Better Regulation toolbox. The Innovation Principle aims at ensuring that legislation is designed in a way that creates the best possible conditions for innovation to flourish. In addition, the Better Regulation (BR) toolbox and associated guidelines were revised in July 2023 and November 2021, respectively, to provide clearer guidance for analysing the interaction between new or revised EU legislation and innovation, among other things, including with improved guidance on sandboxes. The ten key requirements that characterise the European Innovation Stress test are already encompassed in the Better Regulation toolbox, across several tools, notably tools # 20-23 but also tool # 33, tool # 18, fundamental rights assessment in the context of stakeholders' consultation. The proposed EIST draws attention to the perspective of investors and their decision on where to locate investments. In this, it could complement Better Regulation assessments, where relevant.

a) protect consumers and the environment, as well as recognise the need for innovation to enable the EU's green and digital transitions towards sustainability, help to create more and better jobs for the benefit of society and stimulate the economy? (Yes) b) ensure joined-up policymaking so that existing and future policies are employed in ways which create investor confidence and stimulate innovation, but do not create barriers for continued and new innovation investment in the EU? (Yes) c) ensure clear understanding by innovators and investors? (Yes) d) comply with use of the European Commission's Better Regulation toolbox? (Yes) e) actively include consultation and involvement of innovators and investors, across the full spectrum, from start-ups to international organisations, to ensure policies do not or will not unintentionally undermine investor confidence to invest or keep investing in EU innovation? (Yes) f) recognise legitimate concerns regarding potential conflicts of interest and provide transparency on these issues for all involved in the process, including policymakers, public and private sectors, and civil society? (Yes) g) take account of the best available and most up-to-date weight of scientific evidence? (Yes) h) negatively impact availability of skills, human capital and education needed for innovation, research and development? (No) i) result in actions which could generate a gender imbalance? (No)	The proposed key requirements/ questions against which each new legislation and policy initiative should be evaluated under the proposed EIST are already directly or indirectly covered by the existing Better Regulation Guidelines and Toolbox (including e.g. the requirement to take account of the best available and most up-to-date weight of scientific evidence - see Tool #4 on evidence-informed policymaking). In particular, the following better regulation (BR) tools already address the elements contained in the potential innovation stress test: - TOOL #18. Identification of impacts, that requires a comprehensive assessment of impacts across the economic, social and environmental pillars. Both direct and indirect impacts are to be assessed - Tool #33 on consumers, through the assessment of: (i) consumer welfare, (ii) consumer detriment, (iii) consumer conditions, and (iv) consumer vulnerability; - Tool #22. Research and Innovation, that contains provisions to stimulate the participation of innovators in stakeholder consultation by enhancing their publicity in the communities of innovators, as well as various operational suggestions to design future-proof policy options; - TOOL #21. Sectoral competitiveness, its link with productivity growth and the economy's propensity to innovate. This tool contains a 12-step operational guidance to assess competitiveness, including enterprises' capacity and incentives to innovate, as well as international competitiveness;

j) conflict with existing or future tax incentives for innovation or research and development in Europe? (No)	- Tool #30. Employment, working conditions, income distribution, social protection and inclusion, with impacts on the availability of skills; - Tool #24. Competition, including market power and the barriers that may hinder firms' entry or exit from a relevant market; impacts on consumer prices and on upstream and downstream markets; - Tool #29. Fundamental rights, including the promotion of equality.
2.3.8. Encouraging collaboration between educational institutions, businesses and SMEs would help to demonstrate that innovation is attainable.	The European Institute of Innovation and Technology (EIT) is already bringing the actors of the so-called Knowledge Triangle – education, research and business – together to train the entrepreneurs of the future, fund innovation-driven research projects and bring innovative ideas and products on the market. It is the largest innovation ecosystem in Europe, with over 3,200 partners, including 572 higher education institutions, 1,934 companies (including small and medium-sized enterprises), 458 research centres, and 311 cities, regions, and Non-Governmental Organisations. The EIT operates through Knowledge and Innovation Communities (KICs), each of which is dedicated to tackling a specific societal challenge, such as climate, digital, energy, food, or health.
2.3.12. • the European Commission has developed better regulation policies and tools, but these are at times overlooked. There is no existing governance in place ensuring systematic monitoring and implementation of these tools.	The Commission has established governance processes to ensure a systematic monitoring and implementation of the better regulation policies and tools, and the Regulatory Scrutiny Board oversees the implementation of better regulation requirements. Some challenges remain, though, because the Commission can

	only propose legislation, but co-legislators may amend it without systematically assessing the impact of substantial amendments.

N°4	Establishing a Head Office Tax system for SMEs (HOT) COM(2023) 528 final EESC 2023-04262 – ECO/632 584th Plenary Session – January 2024 Rapporteur: Katrīna ZARIŅA (LV-I) DG TAXUD – Commissioner GENTILONI
Points of the European Economic and Social Committee opinion considered essential	**European Commission position**
1.1. The EESC supports the European Commission's proposal to establish a Head Office Tax (HOT) system for micro, small, and medium-sized enterprises (MSMEs) and its objectives, since they are in line with enhancing MSMEs, simplifying their cross borders activities, and reducing administrative and financial barriers, increasing the overall competitiveness of MSMEs.	The Commission welcomes the Committee’s support for the proposal establishing a Head Office Tax system for the small and medium-sized enterprises (SMEs) which operate cross-border by way of permanent establishments.
1.3. The EESC urges no delays in the adoption of the Commission proposal on the HOT system to enhance MSMEs' growth and promote a level playing field for the participation of MSMEs with cross border operations in the internal market, thus contributing to long-term GDP and employment growth.	The Commission takes note of the Committee’s call for a swift adoption of the proposal and as always stands ready to work closely with the Member States towards achieving this objective.
1.4. The proposal aims to reduce corporate income tax (CIT) related compliance costs to MSMEs already doing cross-border business through permanent establishments. The EESC shares the Commission's assessment that the introduction of the HOT system will reduce compliance costs to companies already working internationally, reducing barriers and possible saving on tax compliance costs. The proposal could also incentivise other MSMEs to start cross-border operations.	The Commission welcomes and shares the Committee’s appreciation regarding the potential of the Head Office Tax system (HOT) for reducing barriers to the expansion of commercial activity and compliance costs, both for SMEs already operating cross-border and for those that plan to initiate such activity.

1.5. The proposal also aims to reduce administrative and financial burdens for MSMEs in terms of taxation regulations at the national level. In this respect, EESC calls for the regular assessment of national procedures on computing and paying taxes to reduce regulatory burdens and increase companies' overall competitiveness.	The Commission agrees with the call by the Committee for a regular assessment of the national procedures on computing and paying taxes with a view to reducing regulatory burdens. As a matter of fact, the HOT proposal includes a review clause which will allow such an assessment after five years. Moreover, reducing administrative burden is crucial to maintaining the competitiveness of European businesses. In this context, the Commission recalls the long-term competitiveness Communication, which sets a target of reducing burdens associated with reporting requirements by 25% (without undermining the policy objectives of the initiatives concerned)[16].
1.6. For the time being, the EESC agrees with the Commission approach limiting the scope of the HOT proposal to standalone MSMEs operating cross-border in one or more Member States exclusively through permanent establishments (PE). At the same time the EESC notes that, in performing the planned ex-post assessment to evaluate the effectiveness of the HOT System for MSMEs five years after entry into force of the Directive, the Commission should consider and evaluate the possibility to extend the HOT system to include SMEs operating cross-border through subsidiaries.	The Commission welcomes the Committee's support regarding the scope of the proposal, i.e. standalone SMEs operating exclusively by way of permanent establishment(s). Considering that the proposal contains a review clause which provides for assessing the operation of the Directive five years after it starts to apply, this will be the occasion to assess whether there is margin for extending the scope of the proposal beyond presence abroad by permanent establishment.
1.8. At the same time, the EESC observes that the optional nature of the HOT proposal with regard to SME's in general and of the BEFIT proposal with regard to SME groups with consolidated accounts will create different	The Commission agrees with the Committee that it is important to monitor the operation of the Directive. To this effect, the proposal contains a review clause according to which, five years

[16] COM(2023) 168 final of 16.3.2023 - COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS Long-term competitiveness of the EU: looking beyond 2030

legal frameworks across the EU for companies in potentially comparable situations. The EESC hence encourages the Commission to monitor the evolution of the new HOT rules and their implications in this respect, since the coexistence of different legal frameworks applicable to comparable players might generate fragmentation and discrepancies, possibly harming the consolidation of the internal market.	after the Directive starts to apply, the Commission shall examine and evaluate its functioning and report to the European Parliament and the Council to that effect.
1.10. The EESC urges the Commission to work closely with Member States and organisations representing MSMEs after the adoption of the Proposal to raise awareness of the available HOT mechanism between MSMEs to better achieve the objectives of reducing regulatory burdens, increasing cross-border activity and using the advantages of the Single Market to the full. Relevant parties should also dedicate resources to ensure training and methodological support for MSMEs on how to prepare "HOT tax return".	The Commission shares the view of the Committee that the success of the Directive, once adopted, will depend, among others, on the numbers of eligible SMEs that will opt to apply it. In this regard, it will be important to ensure that SMEs are made aware of the advantages of the system and have access to the relevant information, such as how to exercise the option, how to interact with the Head Office tax administration, etc.

N°5 **Euro area economic policy 2024** **COM(2023) 903 final** **EESC 2023-04821 – ECO/633** **584th Plenary Session – January 2024** **Rapporteur: Konstantinos DIAMANTOUROS (EL-I)** **DG ECFIN – Commissioner GENTILONI**	
Points of the European Economic and Social Committee opinion considered essential	**European Commission position**
2. Fiscal support should preferably be restricted to vulnerable people over providing subsidies to the general public. Considering this context, the EESC, highlighting its opinion on New economic governance rules fit for the future17, urges the Member States to reach an agreement on the reform of the Stability and Growth Pact before the end of the year and on the concurrent deactivation of the general escape clause.	The Commission concurs with the Committee's view that non-targeted fiscal support measures need to be wound down as soon as possible and that vulnerable households should receive targeted support, via existing social protection instruments. The Commission also appreciates the Committee's timely call for an agreement between Member States on the reform of the Stability and Growth Pact, noting that the Council and the European Parliament have reached a provisional agreement on the Economic Governance Review on 10 February 2024. A rapid entry into force of the reformed framework will ensure clarity and predictability for the EU's fiscal rules going forward.
2.3. The EESC expresses its concern over the cost-of-living crisis and its impact on vulnerable groups as the financial distress among households in the lowest income quartile at EU level rose to 29.1% in September 2023. The EESC reiterates its position that the social partners and governments should negotiate and agree on national income pacts to reduce inflation without undermining investment and growth, and that these pacts should be accompanied by	The Commission agrees that the rise in the cost of living, mainly related to the energy crisis, has had a negative impact on real income. The Commission observes that lower-income households suffered from particularly large cost-of-living adjustments. Although broad stability of poverty and inequality rates can be observed in the EU on average from both survey data (referring to 2021 incomes) and Eurostat's flash estimates (referring to 2022 incomes), over half of

[17] OJ C, C/2023/880, 08.12.2023, ELI: http://data.europa.eu/eli/C/2023/880/oj.

targeted public measures to support vulnerable sections of the population.	euro area Member States witnessed increases in material and social deprivation as well as in energy poverty in 2022, in spite of nominal wage developments and support mechanisms. The Commission concludes that although labour market remains tight, wages increased less than inflation in 2022 and 2023, leading to decreasing purchasing power for workers. This trend is however expected to reverse, with real wages projected to increase as of this year. Energy measures deployed by Member States effectively supported vulnerable households, but generally were poorly targeted. Therefore, the Commission is of the view that wage developments should, in accordance with national practices and respecting the role of social partners, mitigate purchasing power losses, especially for low-income earners. It is important, however, that the wage decisions/negotiations are taking due account of competitiveness dynamics and avoiding lasting divergences within the euro area. As regards social protection and inclusions systems, safeguarding their adequacy, including through indexation mechanisms and in line with the Council Recommendation on adequate minimum income ensuring active inclusion[18] and the Council Recommendation on access to social protection for workers and the self-employed, and their sustainability is essential. Strengthened social dialogue and effective involvement of social partners should be ensured in due decision making.

18 https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32023H0203%2801%29

2.4. The EESC shares the Commission's view that, in the long term, the euro area's competitiveness will be determined by its ability to increase productivity, in particular by increasing skills and innovation, but stresses the vital importance of just and inclusive green and digital transitions in this context. To realise the green and digital transitions, there is a severe need to promote reskilling and upskilling to reduce skill mismatches. The 2023 EIB Investment Survey indicates that 81% of European firms experience a lack of availability of skilled staff as a long-term barrier to investment in the EU[19]. In the context of the labour and skills shortage, the EESC therefore also welcomes the launch of the EU talent pool and reiterates the importance of rapidly implementing the recommendations set out in the *Employment and Social Developments in Europe Report*: *Addressing labour shortages and skills gaps in the EU*[20].	Skilled labour shortage is among key obstacles to boosting potential output growth and competitiveness of the euro area in the long-term. The Action Plan on labour and skills shortages in the EU[21], adopted on 20 March 2024, aims at steering relevant measures to address this challenge in the short- to medium- term, by operationalising concrete further steps, especially at sectoral level, that the EU, Member States and social partners will or should take to tackle the challenges brought about by labour and skills shortages. The Commission fully shares the Committee's conclusion that promoting upskilling and reskilling is key in addressing labour shortages, especially in sectors that are in the lead of the green and digital transitions. Moreover, active labour market policies (together with e.g. the provision of early childhood education and care) have an important role in boosting labour participation for population groups that remain under-represented in the labour market. Other measures, such as complementing the harnessing of talents within the EU, managed legal migration from third countries, ensuring the respect and enforcement of labour and social rights, can also help addressing skills and labour shortages.
2.5. ECB President Christine Lagarde recently indicated that the green and digital transitions require additional annual investment worth EUR 620 bn and EUR 125 bn respectively by 2030. The EESC highlights the importance of	The investments needed for green and digital transitions will indeed require substantial amounts of financing and most of it will have to come from private investments, through a variety of

19 *EIB Investment Survey 2023: European Union overview*.

20 *Employment and Social Developments in Europe: Addressing labour shortages and skills gaps in the EU*, European Commission (2023).

21 https://ec.europa.eu/social/BlobServlet?docId=27473&langId=en

completing the Capital Markets Union (CMU) to overcome the limitations imposed by a fragmented European financial market, so that it can benefit consumers, investors and companies across the EU and raise the required funding for the green and digital transitions. This integration process should include the construction of a sufficiently large securitisation market. A genuine CMU would increase the supply of risk capital for high-growth firms and improve choices and returns for savers, augmenting jobs, growth and financial resilience.	instruments, incentives and actors, as public investments would not be sufficient. The Commission's new estimates show further sizeable investment needs in the years up to 2050. The EU initiatives on the Capital Markets Union (CMU) and the Banking Union (BU) complement each other as they both would help finance the twin transition (digital and green), enhance the international role of the euro and strengthen Europe's open strategic autonomy in a changing world, particularly considering the current challenging economic and geopolitical environment. Thriving capital markets could relieve the banking sector, as well as contribute to secure long-term investment in innovative technologies and risky enterprises. Securitisation is surely one of the instruments to free up capacity on banks' balance sheets and provide investment opportunities for long term investors. The assessments carried out by the Commission – of the most recent climate finance needs on the one hand, and of the potential of more integrated EU capital markets to unleash additional investment on the other – confirm that capital market funding could help mobilise a very significant share of the additional investment required each year to support sustainable growth. For these reasons, we need to continue efforts to create a fully developed Capital Market Union (CMU) by growing and integrating our capital markets.
2.6. In view of the deteriorating economic situation and potential risks for macro-	The Commission welcomes the view expressed by the Committee on the need

financial stability, the EESC stresses the importance of completing the Banking Union and establishing the missing third pillar, the European Deposit Insurance Scheme (EDIS), in order to optimise the ability of financial agents to use their lending potential to support customers across EU markets. The current lack of an EDIS means that access to capital markets very much depends on the fiscal situation of the country where they are located, creating unnecessary risks for Member States and their citizens.	to establish a European Deposit Insurance Scheme (EDIS) as part of the efforts needed to complete the Banking Union. A complete Banking Union would bring clear benefits to the EU, making the banking sector more resilient, able to weather geopolitical and financial turmoil but also boosting its profitability and competitiveness. It would also help finance the green and digital transitions and support EU's ambitions for open strategic autonomy in a world of increasing global instability. The pooling of the means of national Deposit Guarantee Schemes (DGS) funds in EDIS could reduce the overall amounts needed for industry-funded safety nets. This could increase the lending potential of the euro-area banking sector. Under EDIS, depositors would be protected equally, irrespective of where they are in the euro area, which can increase the potential for cross border operations of banks in order to reap the benefits of the single market while safeguarding financial stability. The Commission expects that progress on EDIS will be facilitated by the finalisation of the negotiations on the review of the bank crisis management and deposit insurance framework.
2.7. The EESC remains concerned over heightened energy prices in the EU in the medium term, which continue to affect households and is negatively affecting the competitiveness of European businesses. The International Energy Agency notes that policy actions and fiscal support implemented in recent years, including REPowerEU, have significantly boosted the deployment of	The Commission shares the Committee's concern over high cost of energy, which contributed to large inflation differentials across the euro area. This risks the emergence of durable competitiveness gaps across euro area Member States and other macroeconomic imbalances. Sustaining a high level of public investment, specifically under the

renewable energy, saving European consumers EUR 100 bn during the 2012-2023 period and lowering wholesale electricity prices by 15% in 2023. In this context, the EESC highlights the importance of making further progress on the electricity market reform and the Energy Union, including by investing more in energy infrastructure and interconnections between Member States. In the medium to long term, further integration in this area will be key to lowering energy costs for households, improving the competitiveness of European businesses.	RepowerEU chapters of the national recovery and resilience plans, is expected to mitigate these risks, especially in terms of reduction of dependence of energy sources from third countries.
2.8. Europe is at a competitive disadvantage due to the higher energy prices paid by businesses and households in the short term, while European businesses are facing a subsidy race from the US and China. The EESC believes that a European solution that enhances the competitiveness of European businesses, yet does not undermine the single market, is much needed. Highlighting its opinion on the Strategic Technologies for Europe Platform (STEP)22, the EESC reiterates its support for this platform and repeats its call for the Commission to establish common instruments, in particular a genuine Sovereignty Fund. These common instruments, aimed at advancing the green transition, should aim to achieve industrial greening through support that is disbursed according to objective criteria and on the basis of clearly identified needs. The EESC also continues to hold the view that it is vital to secure a level playing field in Europe in order to safeguard competition within the single market, which, following the relaxation of State aid rules, is coming under considerable strain by risking a subsidy race. However, the EESC recognises that subsidies are not a long-term sustainable solution. The funding	The Commission shares a view that the energy price shock has dented cost competitiveness in the euro area, in particular for the more energy-intensive Member States and industries. Also, subsidies deployed by the key global trading partners add to the competitive pressures. As part of its Green Deal Industrial Plan, the Commission has put forward several initiatives to strengthen strategic sectors, including the Net-Zero Industry Act, the Critical Raw Material Act and the Strategic Technologies for Europe Platform (STEP). On all three proposals, a provisional agreement between the European Parliament and the Council has been reached. These are steps towards addressing the increased need for EU public investments in critical technologies, to leverage private investments, as well as to help safeguard cohesion and the Single Market. It is also important for testing the feasibility and preparation of new interventions as a step towards a European Sovereignty Fund.

22 OJ C, C/2023/866, 08.12.2023, ELI: http://data.europa.eu/eli/C/2023/866/oj.

provided by STEP and similar future instruments should therefore remain targeted, be limited in scope and respect the principle of co-financing	In addition, through the adoption of the Temporary Crisis and Transition Framework, the Commission has enabled Member States to use the flexibility foreseen under State aid rules to support measures in key transition sectors. While euro area Member States have taken measures to support sectors most exposed to the energy crisis and to support the green transition, such measures are generally decided at country level, entailing a risk of distortion of the level playing field in the Single Market. Therefore, in Commission's view, promoting private investment, innovation and skill development is key to enhancing productivity and strengthening the euro area competitiveness in a long run, in particular in support of the green and digital transitions. The Commission agrees that industrial policy can contribute to supporting investment, safeguarding competitiveness, and avoiding risks linked to excessive reliance on supply chains of third countries, however, a level playing field and integrity of the Single Market should be secured.

N°6	**Targets for fixing fishing opportunities** **COM(2023) 771 final** **EESC 2024-00004 – NAT/923** **584th Plenary Session – January 2024** **Rapporteur-general: Panagiotis GKOFAS (EL-III)** **DG MARE – Commissioner SINKEVICIUS**
Points of the European Economic and Social Committee opinion considered essential	**European Commission position**
1.4. Therefore, the EESC agrees with the proposal to delete the 5% rule in these three multiannual plans.	The Commission welcomes the Committee’s support for its proposal.
1.5. It is important to underline that no administrative, institutional or budgetary impact has been foreseen after the implementation of this clause. Additionally, no negative impact has been foreseen for economic stakeholders, SMEs, research, audit or digitalisation processes.	The Commission confirms the information contained in the explanatory memorandum of its proposal.

N°7 Addressing the impact of climate change and environmental degradation on peace, security and defence **JOIN(2023) 19 final** **EESC 2023-03725 – REX/578** **584th Plenary Session – January 2024** **Rapporteur: Ozlem YILDIRIM (FR-II)** **EEAS – High Representative BORRELL FONTELLES**	
Points of the European Economic and Social Committee opinion considered essential	**European Commission position**
The follow-up given by the Commission to this opinion will be included in a subsequent report.	

<table>
<tr><td colspan="2">N°8 Promoting autonomous and sustainable food production: strategies for the Common Agricultural Policy post-2027
(exploratory opinion requested by the Belgian Presidency of the Council of the EU)
EESC 2023-03963 – NAT/913
584th Plenary Session – January 2024
Rapporteur: Stoyan TCHOUKANOV (BG-III)
DG AGRI – Commissioner WOJCIECHOWSKI</td></tr>
<tr><td>Points of the European Economic and Social Committee opinion considered essential</td><td>European Commission position</td></tr>
<tr><td colspan="2">The follow-up given by the Commission to this opinion will be included in a subsequent report.</td></tr>
</table>

N°9	**Cross-border energy infrastructure planning** **(exploratory opinion requested by the Belgian Presidency of the Council of the EU)** **EESC 2023-03641 – TEN/823** **584th Plenary Session – January 2024** **Rapporteur: Thomas KATTNIG (AT-II)** **DG ENER – Commissioner SIMSON**
Points of the European Economic and Social Committee opinion considered essential	**European Commission position**
The follow-up given by the Commission to this opinion will be included in a subsequent report.	

N°10 **European cross-border associations** **COM(2023) 515 final** **COM(2023) 516 final** **EESC 2023-04411 – INT/1046** **584th Plenary Session – January 2024** **Rapporteur: Giuseppe GUERINI (IT-III)** **DG GROW – Commissioner BRETON**	
Points of the European Economic and Social Committee opinion considered essential	**European Commission position**
The follow-up given by the Commission to this opinion will be included in a subsequent report.	

N°11	**New European strategy for the Internal Market** **(exploratory opinion requested by the Belgian Presidency of the Council of the EU)** **EESC 2023-03693 – INT/1043** **584th Plenary Session – January 2024** **Rapporteur: Sandra PARTHIE (DE-I)** **Co-rapporteur: Alain COHEUR (BE-III)** **DG GROW – Commissioner BRETON**
Points of the European Economic and Social Committee opinion considered essential	**European Commission position**
The follow-up given by the Commission to this opinion will be included in a subsequent report.	

N°12	**Revision of the late payments Directive** **COM(2023) 533 final** **EESC 2023-03705 – INT/1041** **584th Plenary Session – January 2024** **Rapporteurs: Alena MASTANTUONO (CZ-I)** **Angelo PAGLIARA (IT-II)** **Panagiotis GKOFAS (EL-III)** **DG GROW – Commissioner BRETON**
Points of the European Economic and Social Committee opinion considered essential	**European Commission position**
1.1. The European Economic and Social Committee (EESC) welcomes the Commission's Communication on the SME Relief Package. It also welcomes the Commission's intention to further combat late payments. Paying on time contributes to a healthier economic environment and serves the strategic purpose of deepening the single market. At the same time, the Committee is concerned that the transformation of the current Directive into a Regulation might limit the flexibility of Member States and of the business environment at a time of multiple headwinds across the EU, and calls for further assessment of the proposed measures as well as a proportional and customised approach to implementation.	The Commission welcomes the Committee’s support for the SME Relief Package, of which the Late Payments Regulation is a key part. The proposal has been accompanied by an in-depth Impact Assessment (IA) to identify the most effective and efficient measures to ensure a culture of prompt payments. The IA also examined the possibilities of a new Regulation versus amending the existing Directive. In light of the increased effectiveness and efficiency, the preferred form for the legal act is that of a regulation. It will take effect more quickly, be more easily enforceable and offer clear rules for businesses, applicable across the entire EU; it will in essence offer quicker relief for the small and medium-sized enterprises.
1.2. The EESC notes that the culture of late payments differs considerably across sectors and across Member States. It also identifies two major general problems linked with late payments: first, the enforcement of the current rules; and second, late payments by public authorities, despite a 60-day cap laid down by the current Directive. Average actual payment by the public sector is 13 days longer than that of businesses, which have no cap on	Late payments present a problem across all sectors and in all Member States, as shown in the IA. The Commission agrees with the two general problems the Committee has identified but recalls that these are not the only issues driving late payments. Payment performance in business-to-business transactions is also poor, with 5 out of 10 invoices paid late, and performance worsening since 2019.

payment terms. For this reason, the EESC calls on public authorities to lead by example and comply with the rules in place.	
1.4. The EESC sees the potential benefit of introducing national enforcement bodies. However, it stresses that such authorities will have to operate objectively and guarantee maximum confidentiality when treating the commercially sensitive information of both undertakings and public authorities, without imposing further obligations on reporting. 3.14. While the EESC sees the benefit of introducing national enforcement bodies, guaranteeing that they function correctly and efficiently will be key. Therefore, such authorities will have to operate objectively, independently and guarantee maximum confidentiality when treating the commercially sensitive information of both undertakings and public authorities. Until now, national authorities have failed to ensure that the enforcement mechanisms work properly – especially in G2B (Government to business) transactions. With evidence of chronic late payments from the public sector to businesses, the EESC highlights concerns about public authorities' enforcement capacity over other public authorities belonging to the same governance structure.	The Commission shares the Committee's view that national enforcement bodies have to operate objectively. The proposal requires enforcement authorities to perform their duties and tasks in an objective and fair manner and ensure equal treatment of private undertakings and public authorities.
3.7. This year, the average payment term offered in B2B is 41 days and 52 days in the public sector. The actual payment term in B2B is 56 days, 3 days more than last year, still much less than the actual payment term of the public sector, which pays in 69 days. This is a clear indicator that there is a problem with respecting the agreed payment terms rather than with the length of the payment terms itself. The EESC	Ensuring prompt payments means combatting both payment delays and unfairly long payment terms. This principle is already present in the current Directive, which fixes the period for payment between undertakings to a maximum of 60 calendar days, unless otherwise expressly agreed in the contract and provided it is not grossly unfair to the creditor. Business-to-business payment delays, while below those of

therefore believes that the Commission, with its proposal, is attempting to tackle the issue of long payments instead of late payments by introducing excessively restrictive measures, instead of improving the current enforcement framework with more effective rules.	public authorities, also remain unacceptably high and have worsened in recent years.
3.8. The EESC highlights that the relevance of late payment greatly differs among Member States as well as sectors. The Commission should therefore have further evaluated the possibility of amending the existing Directive and – in case of significant changes should have rather opt for a revised Directive (so-called recast). This would prevent all entities, regardless of size and balance of power, from being impacted. SMEs are in need of relief and the new rules should aim at providing a fairer environment for them. However, in practice, the set of proposed rules will deprive the SMEs of the flexibility they require from their business partners and would impose unnecessarily strong conditions on them.	The IA accompanying the Commission's proposal illustrates extensively the achievements of the current late payments Directive (LPD), but also its shortcomings. In the light of the overwhelming evidence collected in the IA, a second recast would not have been an effective solution to address the persistence and pervasiveness of late payments. The Commission disagrees with the Committee's Opinion whereby the rules proposed would have a negative impact on SMEs, a statement that the Committee has not supported with any evidence. On the contrary, the data of the Commission's IA are conclusive and demonstrate the robustness of the Commission's options. The IA also includes a thorough SME test including an SME Panel, where more than 80% of responding SMEs supported the setting of maximum payment terms and strong enforcement bodies.
3.9. The Commission's action to achieve timely payments should not compromise the possibility of the parties involved in the negotiations of contracts to agree on longer payment terms. Therefore, the EESC underlines the importance of flexible negotiations when setting payment terms and highlights strong concerns over the Commission proposal. In effect, the proposed 30-day cap eliminates contractual freedom between companies. Despite the flexibility that companies have today – freedom to negotiate the payment term, they	The IA has found a cap of 30 days on payment terms to be the most effective and efficient sub-option among the measures available. This choice was also supported by large majorities of respondents in the SME Panel, where 83% of SMEs called for a maximum cap on payment terms without exceptions, with 30 days the most popular option. A limitation of payment terms is needed to combat abuses of bargaining power, where long payment terms are imposed on the weaker party, therefore introducing fairness in the contractual

pay much earlier than the public sector, which has a cap of 60 days. Interfering with freedom of contract does not seem justified here and would be disproportionate with regard to realistically expected benefits.	relations. The existing Late Payments Directive already provides for limits to payment terms in contracts between undertakings.
3.10. In this regard, the EESC refers to the results of the open public consultation carried out by the Commission, which clearly concludes that maintaining the current rules on payment terms is the preferred option among the respondents (29% of respondents). Moreover, several stakeholders, by indicating "Other options" from among those available, specified that they were against limiting the freedom of contract. Lastly, remarking on the crucial nature of the point raised, the EESC refers to the European Parliament resolution on the state of the SME Union published in July 2023, highlighting the importance of "addressing payment delays […] while ensuring a balanced approach that preserves the freedom of contracts".	The Commission disagrees with the Committee's interpretation of the results from the open public consultation. When adding up the respondents that support either a 30- or a 60-day cap on payment terms, 36.7% of respondents support a cap without exceptions (27.3% for a cap of 30 days, and 9.4% for a cap of 60 days), while an additional 8.6% expressed support for a cap for transactions between large enterprises and SMEs. In this light, maintaining the current rules on payment terms does not appear to be the preferred option among respondents in the open public consultation. Furthermore, the SME Panel found significant levels of support for a maximum payment term without exception, with 83% of SMEs calling for such a cap. It is also worth recalling the 2019 Resolution of the European Parliament on the implementation of the LPD which provides similar support to the introduction of maximum caps: '…efforts should be made to move towards 30-day payment deadlines and that payment deadlines going beyond 60 days, as permitted by Directive 2011/7/EU, is a loophole that can enable the agreement of lengthy terms that could be damaging for companies themselves, especially for SMEs.'
3.12. The EESC acknowledges that one of the main shortcomings of the current directive is the lack of a clear definition of "grossly unfair" and the need for courts to interpret such a definition. The ambiguous	Unfairness can manifest both in payment practices and in contractual clauses: either way, the ultimate effect is to circumvent the rules, and as such unfair practices and clauses should be prohibited. In its IA the

provision raised concerns over the years as it left companies space to deviate from the "reference" of 30 days that can be extended to payment periods longer than 60 calendar days in B2B. In this regard, the EESC takes note of the Commission's intention to replace this concept with a list of practices null and void under Article 9 of the proposed regulation. 3.13. However, from a legal perspective, Article 9 is impossible to enforce. The reason is that it is impossible to declare practices null and void – as stated in Article 9(1)(d) – by "intentionally delaying or preventing the moment of sending the invoice". Moreover, in line with point 3.9, the EESC believes that the references to payment periods in B2B transactions should be removed from Article 9(1)(a), as this is something that should be agreed exclusively by the contractual parties.	Commission provided a list of recurrent unfair practices collected along the years of implementation of the Directive. Far from being exhaustive, the list illustrates clearly that these practices are more recurrent in payments B2B than in payments from the public authorities. Therefore, the European Commission disagrees with the Committee that B2B transactions should be excluded from the scope of article 9 (1) (a).
3.16. As a result, late payments are among the factors discouraging the participation of SMEs in public procurement. The evidence presented by the Commission points to the lack of timely payments among public authorities. Hence, the EESC welcomes the proposed payment term set at 30 days for G2B transactions. Public authorities should lead by example as they represent an essential partner for businesses. The new regulation suggests better protection of subcontractors in public construction works by requesting that contractors provide evidence to contracting authorities (or entities) that they have paid their direct subcontractors. This will have an enormous impact on suppliers who use payment from the contracting authority to pay subcontractors. 3.17. The EESC encourages the co-legislators to consider alternative ways to	As explained in Recital (14) of the proposal, subcontractors are often not paid on time by their main contractor, even if the latter has received payment by the public authorities, for the work that ultimately has been carried by the subcontractors. In fact, the IA illustrates the pervasiveness of unfair payment practices in construction supply chains. The Commission's proposal will not make the main contractor responsible for pre-financing any work. It merely reiterates the key principle that a payment is the counterpart of the provision of a service or the supply of goods. Therefore, Article 4 requires that the main contractor in public works contracts provides evidence to public authorities that its payments to subcontractors involved in the execution of the contract have been made on time, in line with the provisions applying to every company as set out in Art. 3.

ensure timely payments to subcontractors when assigning public contracts other than the one used in Article 4. Requiring the contractor to pay its direct subcontractors before or at the time when the request for payment has been made contravenes the objective of ensuring that everyone in the value chain is paid within a timeframe which allows for a healthy cash flow. As written in the Commission's proposal, there is a clear risk to making the contractor responsible for pre-financing the work. In order to guarantee the payment of subcontractors without delay, the EESC recommends that the main contractor issues a declaration within a month starting only from the moment of receipt of the payment from the public authority. Such a declaration has to certify the payment of subcontractors within 30 days after receiving the payment from the public authority.	Article 4 underlines that subcontractors' survival and healthy cash flow is a matter of concern also for contracting authorities, since the correct and timely execution of the works relies to a large extent on subcontractors.
3.18. The new provisions included in Articles 5 and 6 – and based on Articles 3 and 4 of the current directive – are a step towards the objective of a culture of prompt payments. Unfair payment practices often include the unjustified forfeit of the interest as long as the underlying amount is paid. By making the payment of interest for late payments automatically due, debtors will be encouraged to respect the deadlines set in the contract. The Article 5(3) outlines that "it shall not be possible for the creditor to waive its right to obtain interest for late payment". Although the EESC understands the objective to encourage SMEs to request for the payment for interest, there is also a concern that denying the possibility to waive such right might bring difficulties for SMEs as debtors.	The IA has found that the current rights under the Late Payments Directive are often waived for fear of jeopardising the business relationship. 54% of companies, even those familiar with the entitlement to compensation under the LPD, have said they never ask for compensation. The new provisions are aimed at eliminating unfair practices such as to require suppliers to waive their right to compensation when signing a contract. In a supply chain, at any given moment, SMEs (as any other business) are either creditors or debtors. As creditors, SMEs will benefit from this reinforced protection; as debtors, the obligation of paying interests can be easily avoided, by complying with the rules and paying on time.

3.19. The EESC believes the new proposed fixed sum of EUR 50 should take into account the proportionality with the transaction amount.	The Commission assessed the possibility of staggering the compensation fee according to the transaction amount. In the interest of simplicity, the fixed sum has been set at a single amount regardless of the invoice amount. To reflect the transaction amount, additional compensatory interest is included in the proposal.
3.21. The EESC is fully supportive of Article 16 and underlines the importance of minimising existing barriers such as the complexity of initiating legal proceedings against debtors. In light of such lengthy and costly court proceedings, voluntary mediation as well as other forms of voluntary alternative dispute resolution (ADR) should be encouraged by Member States to quickly solve payment disputes.	The Commission agrees with the Committee about the importance of providing alternative dispute resolution and mediation proceedings as alternative to lengthy and costly court proceedings.
4.3. The EESC highlights the external dimension of the proposal. Strict conditions on payment terms could potentially have an impact on commercial transactions within the single market and push business operations outside the EU. It would be easier to engage with suppliers from third countries which are allowed to accept longer payment terms. This could be a potential threat to Europe's competitiveness and should be avoided.	Ensuring a culture of prompt payment will bring positive effects to the EU's competitiveness, by increasing aggregate cash flow and reducing hassle costs associated with chasing debtors. Threats from international competition have been assessed in the Impact Assessment. While most EU trading partners already have provisions against late payments in place, and limits on payment terms differ also between EU countries, the Impact Assessment found no evidence of large trade shifts in favour of countries with more flexible payment terms.

N°13	**Modern Business Responsibility - Avenues for elevating MSMEs ability for successful transformation** **(Own-initiative opinion)** **EESC 2023-01160 – INT/1020** **582nd Plenary Session – October 2023** **Rapporteurs: Milena ANGELOVA (BG-I), Ferdinand WYCKMANS (BE-II), Rudolf KOLBE (AT-III)** **DG GROW – Commissioner BRETON**
Points of the European Economic and Social Committee opinion considered essential	**European Commission position**
1.3. The most essential aspects to be considered by a particular enterprise are determined by its size, type, sector, business model, position in the value chain, location and markets. There is no one-size-fits-all solution and this shall be reflected either by the SME definition or in the respective frames. The content of business responsibility also evolves with time, thereby reflecting and ensuring proactive and forward-looking management of long-term digital, green and demographic developments, as well as the need for resilience to cope with sudden crises.	The EU's small and medium-sized enterprise (SME) definition is the structural tool to identify enterprises that are confronted with market failure and particular challenges due to their size and are therefore allowed to receive preferential treatment in public support; it is not the right tool to take into account the level of business responsibility of an enterprise.
1.5. The European Economic and Social Committee (EESC) calls for simple and practical tools such as checklists, templates and calculators, and alternative scenario analysis to be developed and provided for MSMEs to enhance and help develop their operations and to report on their responsibility commitments and achievements. The EESC also encourages the European Commission (EC), in cooperation with Member States and business support organisations, to constantly raise awareness of the benefits of responsible performance and to	The support suggestions in the own initiative report are aligned with the recently proposed SME relief package and the recommendation on transition finance. Notably, the simplified sustainability standards currently being developed for listed SMEs and separately for unlisted SMEs are expected to support SMEs in their disclosure of sustainability efforts. Furthermore, and in the context of access to (sustainability) finance, the Commission is also considering a simplified approach to taxonomy for SMEs.

maintain and update a collection of good practices of business responsibility in MSMEs.	
1.6. The EESC considers it crucial to ensure that the overall policy framework is supportive for MSMEs and avoids complicated requirements – met by MSMEs either directly or through value chains - which may divert resources away from concrete, grass-root level business responsibility measures and result in the "externalisation" of business responsibility in MSMEs. In this respect, due attention must be paid to, for example, the reporting requirements. The EESC also welcomes the intention of the European Commission to launch a public consultation before the end of the year on a non-financial reporting standard applicable to MSMEs on a voluntary basis with the view to adopt it in 2024 and calls for it to be clear and simple, in line with the principle embedded in SME Relief package23.	The public consultation on a non-financial reporting standard applicable to MSMEs on a voluntary basis will not be launched by the Commission, but by the expert body (EFRAG) that has been entrusted with preparing it. The consultation was launched in January 2024. EFRAG will thereafter submit the final draft proposal to the Commission.
5.1.7. Sectoral, regional and European funds specifically aimed at educating and training business leaders and employees are vital in promoting the accessibility of initiatives, which are too often aimed at larger companies.	In the programming period 2021-2027, the European Social Fund Plus (ESF+) will invest around EUR 43,3 billion (total budget) in education, training and skills. These investments will target, among others, employers and employees.
5.2.3. To help MSMEs to communicate on their responsibility to stakeholders, the EESC urges the European Commission to provide a clear and simple online tool, including an easy-to-use CO2 emissions calculator, which is applicable for the purposes of MSMEs. The EESC also welcomes the intention of the European Commission to launch a public	At the beginning of 2023, the SME Envoy Network did a quick survey of Member States, according to which 8 Member States had, at the time of the survey, a CO2 calculator; all of these calculators are available free of charge. Regarding the public consultation, it will be conducted by EFRAG until May 2024.

[23] https://europa.eu/!qvJhxp

consultation before the end of the year on a non-financial reporting standard applicable to MSMEs on a voluntary basis with a view to adopt it in 2024 and calls for it to be clear and simple, in line with the principle embedded in the SME Relief package.	

N°14 Proposal for an EU cyber defence policy (Own-initiative opinion) EESC 2022-05106 – CCMI/202 579th Plenary Session – June 2023 Rapporteurs: Anastasis YIAPANIS (CY-III), Alberto MAZZOLA (IT – Cat. 1) DG CNECT – Commissioner Breton EEAS/EDA – High Representative BORRELL FONTELLES	
Points of the European Economic and Social Committee opinion considered essential	**European Commission position**
The Commission welcomes Committee's opinion on the 'Proposal for an EU cyber defence policy'. The Joint Communication on the EU Cyber Defence policy was adopted in November 2022. Council Conclusions on the EU Policy on Cyber Defence were formally adopted in May 2023, and the Implementation Plan was finalised at the end of June 2023. Currently, the Commission, together with the European External Action Service and the European Defence Agency, is in a phase of monitoring implementation of the EU Policy on Cyber Defence. This monitoring will also be guided by the issues and considerations raised by the Committee in its opinion. The Joint Communication was presented to the Committee by Commission services and EEAS at a hearing at the end of February 2023, during which questions raised by the Committee were answered. For instance, Members of Committee were interested to know more about financial support for industry and, in response, the Commission listed suitable EU funding opportunities. The Committee highlighted the importance of skills, backed by the Commission. Further, to respond to the Committee's remarks regarding the need to have a clear implementation plan, the Commission confirmed that such a plan is being prepared in close collaboration with Member States and that the Commission, together with EEAS, will be monitoring progress both at the EU and national levels. The present own initiative opinion reiterates these questions. Since they were already addressed orally in February 2023, a further written reply should not be necessary. The Commission is happy to continue its interactions with the Committee in the future on that subject matter.	

N°15	**The role of youth in rural development** **(Own-initiative opinion)** **EESC 2023-01996 – NAT/893** **583rd Plenary Session – December 2023** **Rapporteur: Nicoletta MERLO (IT-II)** **DG EAC – Commissioner IVANOVA**
Points of the European Economic and Social Committee opinion considered essential	**European Commission position**
1.1. Europe needs the vision, commitment and participation of young people to build a better future for all. Rural areas play a vital role in economic and social cohesion. It is crucial to ensure equal treatment and the full participation of young people in both rural and urban settings.	The EU Youth Strategy 2019-2027[24] aims to narrow rural-urban disparities, fostering equal treatment and active youth engagement. Through inclusive policies in both settings, it contributes to building a better future, harnessing the energy and ideas of the younger generation for the benefit of European society. European Youth Goal #6 'Moving Rural Youth Forward'[25] highlights the importance of creating the conditions which enable young people to fulfil their potential in rural areas.
1.2. Comprehensive tools for collecting detailed data on the population, community involvement, and the needs of young people in rural areas must be created. Investments in research and analysis of disaggregated data are vital for implementing targeted investments, policies and services. In this sense, The EESC welcomes the establishment of the Rural Observatory and encourages a focus on collecting youth-centred data and the exchange of good practices.	The Commission keeps working on improving rural statistics as highlighted in the Rural Action Plan[26]. The Rural Pact community platform provides opportunities to create thematic stakeholder-led 'community groups' which can serve as a place to share good practices.
1.4. In order to make rural areas more attractive to young people, it is imperative that public, commercial and youth services,	Equal access to accessible virtual environments, information technologies, goods, and quality and inclusive services is crucial for the full participation of persons

24 https://eur-lex.europa.eu/EN/legal-content/summary/eu-youth-strategy-2019-2027.html
25 European Youth Goal #6 Moving Rural Youth Forward
26 https://environment.ec.europa.eu/strategy/circular-economy-action-plan_en

quality employment and education, digital and physical infrastructure, public transport, leisure activities and youth clubs be available and easily accessible.	and develop and retain talent in rural areas and address territorial and socioeconomic disparities. This is emphasised in the 2019 European Accessibility Act[27] and the flagship initiative AccessibleEU under the Strategy for the Rights of Persons with Disabilities 2021-2030[28]. In close cooperation with human capital investments under the European Social Fund Plus (ESF+), the European Regional Development Fund[29] supports infrastructure and equipment investments that facilitate equal access to quality and inclusive services in the areas of employment, education and training, social inclusion and housing, healthcare and culture and tourism, from which young people in rural areas can benefit. EU-funded investments, like the Connecting Europe Facility (CEF)[30], support inclusion, accessibility, and sustainability in access to transportation in rural areas.
1.6. The EESC considers it vital to promote participatory pathways for generational renewal and for a more inclusive and multi-stakeholder governance model, involving youth organisations, organised civil society and policymakers and recognising the new ways in which young people engage through technology and social media.	The EU Youth Strategy 2019-2027 prioritises inclusion, stressing the involvement of youth organisations, civil society, and policymakers in shaping generational renewal. Emphasising technology's transformative role and aligning with modern youth engagement, the Strategy's 'engage' pillar fosters active involvement through initiatives like the EU Youth Dialogue and the EU youth programmes Erasmus+ and European Solidarity Corps.
1.7. In order to stimulate a sustainable economy in rural areas, the EESC believes	The Commission recognises the significance of providing high-quality

27 https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32019L0882
28 Union of equality: Strategy for the rights of persons with disabilities 2021-2030 - Employment, Social Affairs & Inclusion - European Commission (europa.eu)
29 European Regional Development Fund
30 Connecting Europe Facility

it crucial to provide quality employment opportunities with stable and competitive contracts, adequate social protection and support for entrepreneurship. Special attention should be paid to the NEETs (not in education, employment, or training), women, people with disabilities, vulnerable individuals and marginalised communities. To foster fair competition, uphold workers' rights and establish an equitable playing field, the EESC considers it necessary to enhance and strengthen collective bargaining, reinforce social dialogue and ensure the application of the social conditionality mechanism.	employment opportunities for youth in rural and remote areas, particularly for those underrepresented in the labour market, such as NEETs (not in education, employment, or training), women, persons with disabilities, vulnerable groups, and marginalised communities. The Commission continues to support discussions on agriculture for rural development in the Sectoral Social Dialogue Committee. The Council Recommendation on strengthening social dialogue in the EU[31] urges Member States to create a conducive environment for bipartite and tripartite social dialogue, encompassing collective bargaining in public and private sectors at all levels.
1.9. Training and education at all levels play a crucial role in promoting rural development. They should adopt a transformative approach, taking into account local situations and community needs. Organised civil society can play a key role and should be included in planning and implementing these pathways. In addition, we believe that it is important that education provides young people with knowledge about the agri-food sector in order to bring them closer to the rural world, explain basic food concepts and highlight the important role that producers play in the agri-food chain. To this end, we believe that the introduction of an agri-food subject in school curricula is crucial.	The European university strategy[32] aims to empower universities in adapting to change, thriving, and contributing to Europe's resilience and recovery. The EU Youth Strategy 2019-2027 prioritises European Youth Goal #6, 'Moving Rural Youth Forward,' focusing on enhancing opportunities for youth in rural areas through tailored non-formal education and including through stakeholders' engagement. Erasmus+ and European Solidarity Corps support projects that address challenges specific to rural youth, strategically integrating agri-food subjects in schools. This inclusion not only equips youth with essential skills but also strengthens their connection to the rural landscape by highlighting the pivotal role of producers in the agri-food chain.
1.10. The EESC stresses that a focus on addressing the skills required to manage the green transition and implement sustainable	The Commission recognises the need for skills linked to the green transition. The European Education Area Working Group

31 https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32023H01389
32 communication-european-strategy-for-universities-graphic-version.pdf (europa.eu)

development actions is needed, both during the European Year of Skills and beyond.	facilitates technical exchanges on incorporating the green transition into Vocational Education and Training (VET) systems. The ambitions set out in the European Green Deal have facilitated the creation of a sustainability competence framework, known as GreenComp[33], to enhance environmental learning in the EU. GreenComp outlines key competences for incorporation into education, fostering knowledge, skills, and attitudes that encourage thoughtful, responsible action for the well-being of the planet and public health.
2.6. Recognising the crucial role of young people in rural development, it is essential to have comprehensive tools for collecting detailed data on the population, community involvement, and the needs of young people in rural areas. Investments in research and analyses of disaggregated data (taking into account factors such as gender, educational qualifications, nationality, possible vulnerabilities, etc.) are vital for implementing targeted investments, policies and services that meet the specific needs of the studied areas. In this sense, the EESC welcomes the European Commission's establishment of the Rural Observatory and encourages a focus on collecting youth-centred data.	The Commission welcomes the Committee's support to the establishment of the Rural Observatory and takes note of the idea of collecting youth-centred data and evaluate its feasibility. The Commission emphasises the importance of enhancing rural evidence and data as an integral component of the Rural Observatory's which is part of the Commission's Long-Term Vision for the EU's Rural Areas[34]. This initiative encompasses a rural data platform designed to facilitate convenient access to and visualization of data. The Commission persists in enhancing rural statistics as per the Rural Action Plan. Additionally, it acknowledges the Rural Pact's potential in fostering stakeholder-led 'community groups' for sharing best practices.
2.7. Encouraging the exchange of good practices is crucial for developing effective policies that enhance the potential of rural areas and make them more attractive to young people. Sharing experiences and	The Rural Pact support office[35], funded by the Commission, regularly organises good practice webinars on subjects of interest to rural people including young people. They also publish good practices and other events

33 GreenComp: the European sustainability competence framework - European Commission (europa.eu)
34 Long-term vision for rural areas (europa.eu)
35 Welcome the Rural Pact Support Office! - European Union (europa.eu)

using European resources can contribute to achieving these goals, ensuring that rural areas become thriving environments for young people. It is essential to recognise and promote the agri-food sector as a generator of attractive opportunities for young people in rural areas.	which can serve to discuss good practices, such as the competitiveness of the agri-food sector.
2.8. It is essential to adopt holistic approaches that include rural proofing and the EU Youth Test across all EU Commission departments. These approaches will ensure the long-lasting and EU Youth Strategy. Rural Observatory. 9 Rural proofing. NAT/893 – EESC-2023-01996-00-00-AC-TRA (EN) 4/14 impactful implementation of EU policies, reduce inequalities, and consider the needs of current and future generations in both rural and urban areas. In this context, a strong connection between rural and urban areas needs to be ensured.	After adopting the long-term vision for EU rural areas, a rural proofing mechanism exists under better regulation. It allows services to assess territorial impacts, consulting diverse stakeholders. Building on the achievements of the European Year of Youth 2022, the Commission will apply a 'youth check' when designing EU policies to ensure that their impact on young people is systematically factored in.
3.5. Specifically, it is necessary to: - promote cross-sectoral approaches in developing youth policies and strategies to reduce inequalities between rural/remote and urban areas; - empower young people in rural communities through participatory models, involving youth organisations and organised civil society, and implementing the EU Youth Test; - ensure that Member States and EU programmes support, fund and prioritise youth services and youth clubs, particularly those provided by volunteer organisations in remote areas; - provide adequate gathering spaces (including sport and recreational facilities) for young people and youth organisations,	Cohesion Policy aims to address economic, social and territorial disparities by assisting Member States and regions in providing support to all types of territories, including rural and remote areas, paying particular attention to addressing socioeconomic and territorial disparities including the persistent urban-rural divide in access to services. Supporting young people in rural areas, for instance, entails on the one hand focusing on identified human capital and infrastructure needs in their access to employment, education and training, housing, and healthcare and social services and culture. On the other hand, it consists in fostering sustainable territorial development for rural areas to flourish and become attractive places to live, including for young people. ERDF investments may consist in infrastructure and equipment support for quality and inclusive services, in close

with a special focus on those who are vulnerable or who have a disability; - improve travel options between rural and urban areas by investing in infrastructure and sustainable mobility, including local public transport services, which should be promoted and incentivised - invest in IT infrastructure and high-speed broadband connections to ensure connectivity and access to digital resources; - support young people who intend to return to rural areas through targeted measure for renting or buying houses, and encourage the renovation of abandoned houses and land through tax breaks; - provide financial support for access to land targeted towards young people; and - ensure adequate social dialogue structures to strengthen industrial relations and ensure decent working conditions for all.	coordination with human capital support under ESF+, following a partnership-, place- and person-based multilevel governance approach. This support may also be channelled through integrated territorial development strategies. Initiatives such as the Talent Booster Mechanism[36], aim aim to support regions in training, retaining, and attracting people with the necessary skills and competences to mitigate the impact of demographic transition, including the out-migration of young people. Funding from the Recovery and Resilience Facility also supports these objectives. The regulations of the 2021-2027 Erasmus+ and European Solidarity Corps include specific provisions to support inclusion and accessibility of the programmes. Inclusion and Diversity is a transversal priority in the Erasmus+ and European Solidarity Corps 2021-2027 programmes especially for young people in rural areas. The implementation is supported at different levels through: The Framework of Inclusion Measures for Erasmus+ and the European Solidarity Corps, The Inclusion and Diversity Strategy for the Erasmus+ and European Solidarity Corps,[37] The National inclusion plans elaborated as an integral part of each National Agency's (implementing bodies) work programme[38].
3.8. The CAP network and the Rural Observatory should monitor not only the target of 380 000 new farmers but also the creation of other employment opportunities, all while exposing barriers, promoting solutions to intergenerational	The Commission promotes youth social entrepreneurship, including in rural areas, through initiatives like the Youth Entrepreneurship Policy Academy with the Organisation for Economic Co-operation and Development. The CAP Network offers

36 Inforegio - Talent Booster Mechanism (europa.eu)

37 Commission Implementing Decision - framework of inclusion measures of Erasmus+ and European Solidarity Corps 2021-27

38 Implementation guidelines - Erasmus+ and European Solidarity Corps Inclusion and Diversity Strategy

transitions, and sharing farming and other business models, including those in the spheres of the social economy and cooperatives.	support to rural youth through workshops, thematic groups, publications, and sharing good practices. However, the network does not have a monitoring role. The Rural Observatory provides sector-wise employment data without a specific focus on any sector.
3.9. In addition to agricultural policies and funds, it is essential to adopt a robust inter-sectoral policy approach that takes into account generational renewal. This approach will help close the gaps between rural areas and cities. For instance, in order to make rural areas as attractive as urban areas in terms of opportunities and quality of life, it is necessary to invest in housing and gathering places. The COVID-19 pandemic and the subsequent increase in remote working have prompted many people to choose to relocate to rural areas. Unfortunately, digital gaps and insufficient infrastructure in these regions are still significant challenges, impacting telecommunication networks and hindering access to services.	The two Recommendations on digital education and training adopted by the Council on 23 November 2023[39] [40] provide guidance for a more coherent framework of investment, governance, and capacity-building for effective and inclusive digital education and for improving the provision of digital skills. Specifically, they address the need for universal access to inclusive and high-quality digital education and training. See also response to 3.5.
3.11. Desertification, droughts and floods also pose a significant threat to European countries. Climate change, soil erosion, unsustainable water management and unsustainable land use practices further exacerbate the situation. Studies highlight that significant portions of Spain, southern Italy, south-eastern Europe and the Danube Delta are particularly vulnerable regions for desertification. If left unchecked, approximately 11% of European territories could be at risk by the end of the century. This alarming trend could put crop and livestock production in jeopardy, leading to	The Commission reaffirms the EU's commitment to climate neutrality by 2050 and a 55% reduction in greenhouse gas emissions by 2030 through the ‘Fit for 55’ package. These goals permeate major policies, including the Common Agricultural Policy (CAP) 2023-2027, Cohesion Policy, and funds like the European Regional Development Fund and the Just Transition Fund. Aligned with the European Green Deal, the Climate Pact supports community-led climate initiatives. The Education for Climate Coalition advances green transition education, while

39 pdf (europa.eu)
40 pdf (europa.eu)

agricultural abandonment and increased vulnerability. Urgent action is needed to mitigate the impacts of climate change and to implement sustainable land management practices in order to safeguard European agriculture. Linking these efforts to intergenerational renewal will ensure the active involvement of young people in sustainable agricultural practices and foster a sense of climate justice, ensuring a balanced and sustainable future for rural areas.	the EU Youth Empowerment Fund, launched through the Global Youth Mobilisation, provides accessible funding for young leaders. The EU Soil Strategy for 2030 targets healthy soil ecosystems by 2050, addressing desertification and land restoration. Discussions on a Soil Monitoring Law aim to establish a robust framework for soil health, combatting climate change and biodiversity loss. CAP programming focuses on natural resource preservation, climate adaptation, and mitigation, with conditionality standards prioritising soil protection. Member States tailor interventions to local conditions, emphasising soil quality improvement, with ongoing evaluations assessing relevance to specific needs like desertification.
3.12. Long-term rural resilience requires intergenerational cooperation based on mutual respect and support. There should be specific mentoring policies alongside rural Erasmus+ and other empowering initiatives. Additionally, there needs to be more investment in apprenticeships, not only in agriculture and forestry but in other rural craft, cultural and business training to ensure the quality transfer of skills and knowledge. Including specific tutoring programmes for young people living in urban areas in schools or other educational contexts would be important in order to familiarise them with rural areas and farming activities.	The Commission prioritises generational renewal in agriculture for a sustainable European farming sector. To counter an aging farming population, attracting new generations is crucial. The Commission closely monitors CAP Strategic Plans, emphasising intergenerational cooperation. CAP tools like cooperation (COOP) and knowledge exchange (KNOW) support this. Encouraging young farmers to use Erasmus+ for experience-sharing aids generational renewal goals. Erasmus+ and the European Solidarity Corps focus on inclusion, especially for those in remote areas, employing measures like the school scheme to enhance accessibility for younger generations to understand farming and rural areas.

4.1. Youth involvement is crucial for rural development, as young people are advocates for sustainability and environmental protection. They should be at the heart of a more inclusive multi-stakeholder governance model, engaging in decision-making at all stages, from drafting proposals to their implementation, monitoring and follow-up, including through the creation of multisectoral platforms. These participatory pathways for generational renewal should also recognise the new ways in which young people engage through technology and social media.	As noted in the Commission Communication on the European Year of Youth 2022[41] adopted on 10 January 2024, the Commission will launch a series of dedicated youth mainstreaming roundtables between relevant stakeholders but also further encourage young people to actively participate and make their voices heard in public and targeted consultations, to keep the political momentum of youth mainstreaming for new initiatives and build up experience and knowledge, at all levels. The roundtables will take place in connection with the publication of the Commission's work programme. Furthermore, the Commission will strengthen the EU Youth Dialogue by increasing its visibility and outreach, involving more and diverse youth organisations and improving the dissemination, uptake and follow-up on the outcomes of the dialogue at all levels, and stepping up efforts to involve young people with fewer opportunities.
5.3. To address these challenges, it is crucial to provide quality employment opportunities with stable and competitive contracts, adequate social protection and support for entrepreneurship. Digitalisation and fair competition rules for SMEs can also stimulate a sustainable economy in rural areas, particularly for younger individuals.	The Commission highlights the vital role of the small and medium-sized enterprises (SMEs) in rural areas, promoting the SME Relief Package with 19 actions for short-term relief and long-term competitiveness. Action 17 focuses on untapped entrepreneurial potential, including women, young people, and persons with disabilities, through awareness and mentoring campaigns. The Commission also boosts women's digital and entrepreneurial competences. The European Entrepreneurial Regions label recognises innovative entrepreneurial policies.

[41] Communication on the European Year of Youth 2022.pdf (europa.eu)

5.5. Another significant aspect pertains to women's employment, and requires policies aimed at the comprehensive inclusion of women in the agricultural and food sector labour market to address related challenges. The provision of essential care infrastructure plays a pivotal role in enhancing the appeal of rural areas for women, facilitating their entry into the workforce.	The Council's 2030 Barcelona targets[42] advise Member States to boost early childhood education and care (ECEC). The Member States and regions allocated allocated close to EUR 1 billion for ECEC and nearly EUR 2.4 billion for social infrastructure for social inclusion including for long-term community-based care under the European Regional Development Fund for￼. The European Care Strategy prioritises equal opportunities, emphasising affordable childcare and long-term care. The CAP 2023-2027 empowers Member States to enhance social inclusion, rural women's employment, and farming participation.
5.6. Efforts should be intensified to encourage and support young people engaging in all the possible economic activities in rural and remote areas, including through educational and economic support. Intergenerational mentoring and apprenticeship schemes and links to learning opportunities like Erasmus+ can be beneficial.	As noted in the Commission Communication on the European Year of Youth, information and awareness are prerequisites for meaningful youth participation, and they also enhance the sense of European belonging and outlook for young people. To this end, the Commission will develop further the European Youth Portal as a one-stop-shop for EU opportunities for young people supporting outreach, awareness raising and communication with young people.
5.8. Limited access to land and difficulties in accessing credit, especially for young people, pose challenges to agricultural and non-agricultural businesses. Among agricultural producers, small sized farms, young farmers, new entrants, and innovative investments have the most difficulties in accessing finance. Facilitating easier access to land and credit for rural entrepreneurs, particularly young owners, can stimulate a sustainable	Access to land and access to credit are key challenges for entering farming activity. To support young people, the Commission has foreseen several tools within the CAP 2023-2027, specifically the Regulation on CAP Strategic Plans[43]: investments under Article 73 (where young farmers can buy land thanks to financial instruments), Article 77 and cooperation intervention supporting the farm transfer between generations and Article 78 (supporting the intergenerational

42 https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32022H1220%2801%29

43 https://eur-lex.europa.eu/eli/reg/2021/2115/oj

economy and foster sustainable development in rural communities.	transfer of knowledge). Moreover, in cooperation with the Commission, the European Investment Bank (EIB) offers financial tools and advice to young farmers.
6.2. Education systems should embrace transformative education, enabling young people to drive systemic change. According to a recent IPCC report, "transformative learning is critical because it helps to induce both shared awareness and collective actions".	The two November 2023 Digital Council Recommendations acknowledge the notion that strategic investment in infrastructure, human resources, training, and digital content can enhance learning opportunities in the digital age, fostering personal development and social cohesion.
6.3. The European Year of Skills 2023 should focus on addressing the skills required to manage the green and digital transitions and implement sustainable development actions. It should pay attention to the challenges faced by young people in a rapidly changing world.	The Commission underscores the need to equip youth with skills needed to successfully navigate the green and digital transitions, prioritising digital skills in the European Year of Skills and the Digital Education Action Plan 2021-2027. Recently adopted recommendations guide Member States in providing quality education and training, emphasising sustained investment in digital skills. The Commission also highlights the importance of skills for the green transition, evident in events like Green Week 2023 and the European Sustainable Energy Week.
6.4. Training and education should be adopted through a transversal approach, giving consideration to local situations and community needs. Organised civil society, representing and supporting the often-changing demands of the people, should be involved in planning and implementing these pathways.	The Commission recognises the significance of backing community-led initiatives to tackle local challenges and involve citizens. This commitment is reinforced at the EU level through instruments like Community-Led Local Development (CLLD) and various sectoral policies and initiatives.
6.9. European rural universities and decentralised public services are important for providing education, training, orientation and guidance tailored to the specific needs of rural communities. These institutions contribute to rural development by offering relevant programmes and	The European university strategy supports and empowers universities to adapt, thrive, and contribute to Europe's resilience. European University alliances, funded by Erasmus+, play a vital role in enhancing regional vitality and addressing societal challenges. These alliances foster students’

services that support local needs. Involving civil society organisations and enhancing and developing non-formal education could also be beneficial in this regard.	future-proof skills and collaborate across sectors to tackle regional issues. By creating and preserving local jobs, they also offer opportunities for students and young people in their home countries and cities. The Commission supports actions to give visibility and value to skills acquired through non-formal or informal learning. The Commission is working to set up a European degree to be delivered at national, regional or institutional level. The degree will attest learning outcomes as part of a joint programme among several institutions across Europe and could be offered by alliances of higher education institutions, for example the European Universities, based on a common set of European criteria.

N°16	**Revised monitoring framework for the circular economy COM(2023) 306 final EESC 2023-03270 – NAT/912 582nd Plenary Session – October 2023 Rapporteur: Cillian LOHAN (IE-III) DG ENV/ESTAT – Commissioner SINKEVICIUS/GENTILONI**
Points of the European Economic and Social Committee opinion considered essential	**European Commission position**
2.3. Data is now much more accessible via the website. New indicators include a Circular Materials Use Rate and use of Waste Per Capita, representing an improvement over using waste indicators linked to GDP. The export of waste is now monitored, as are circular competitiveness and green innovation.	Since January 2018, Eurostat publishes the monitoring framework in a dedicated website, presenting data for EU and Member States. Indicators on circular material use rate, exports of waste and indicators for competitiveness and green innovation were used since 2018.
3.1. Consultation in designing the new Monitoring Framework was **not sufficient** and did not make best use of the existing active networks – notably the European Commission's partnership platform with the EESC – the European Circular Economy Stakeholder Platform[44]. This network of networks and knowledge sharing platform, is designed to feed into the implementation of the Circular Economy – its highly active Coordination Group of stakeholders was not consulted.	The consultation was done following Better Regulation requirements. Accordingly, the European Circular Economy Stakeholder Platform was not individually consulted as it is not an institution. Nonetheless, the initiative[45] was published in the "Have your say" website of the Commission, also accessible to the Platform. The Commission received input from a wide variety of stakeholders via this open consultation. In addition, 1) The Commission considered all comments from EU institutions and stakeholders on the first Circular Economy Monitoring Framework and the monitoring aspects of Circular Economy Action Plan 2020 as documented in the SWD (2023) 609.

[44] https://circulareconomy.europa.eu/platform/en.

[45] https://circulareconomy.europa.eu/platform/en/news-and-events/all-news/lets-hear-your-views-european-commissions-framework-monitoring-eus-progress-towards-circular-economy

	2) The Commission consulted the relevant Working Groups of Member States experts, including the one on raw material supply, which includes representatives from business and non-governmental organisations (NGOs).
3.2. Consultations should be facilitated by a **fund to support stakeholders to fully engage** in the process, and to ensure high quality submissions.	The Commission considers that funding should focus on financing the transition towards circular economy on the ground, and not on consulting on the monitoring framework.
3.3. The EESC itself, as a consultative body to the EU institutions and with its strong track record in Circular Economy (CE) and internal expertise, was not consulted. It is regrettable that the EESC **had to request to draft an opinion** on this matter.	The Commission welcomes and values the opinion from the Committee.
3.4. The importance of eco-design in driving systemic change and achieving a Circular Economy is well documented and reflected in the most current Circular Economy Action Plan and Eco Design legislation. **Monitoring of design is insufficient**. As an example, the issuing of Cradle to Cradle Certified® could be monitored as a non-profit audited certification.	The Commission acknowledges that ecodesign plays a major role in moving towards a circular economy as it can extend product lifetime, increase resource efficiency and boost repair, reuse, recycling and upcycling. However, there is no existing indicator and quantitative data to measure products ecodesign at EU level. Waste generation and material footprint are considered 'proxi' for measuring ecodesign. In addition to its work on the circular economy monitoring framework, the Commission has launched a study to identify micro-level circularity indicators, that could help monitoring the circularity of products. To further explore potential indicators, the European Environment Agency (EEA) has launched a Circularity Metrics Lab with the aim to complement the tools available to measure circular economy transition at different levels.

3.5. The CE is not just about material flows, but rather the complex relationships between raw materials, production and consumption, and the people involved in those processes, plus the societal behaviours and practices associated with working and living in the economy. This social aspect is not sufficiently monitored. Social indicators could include access and affordability, human development, ethical and fair trade, health and safety, consumer behaviour.	The Commission agrees that the monitoring framework underpinning the move towards circular economy needs to cover a wide range of aspects, including in relation to production as well as consumption. More specifically, the indicators measure how materials are used in our production and consumption and how much is used as secondary material (overall and for critical raw materials). The indicators on competitiveness measure the added value, employment and investments in the circular economy sectors. The indicator on resilience measures the material imports dependence and EU self-sufficiency for critical raw materials. The indicator on consumption footprint estimates the impact of EU consumption for different impact categories, in five areas of consumption (food, mobility, housing, household goods and appliances) and compares the impacts with the planetary boundaries. Other aspects are not included because they are beyond the scope of the monitoring framework, which complements related monitoring frameworks at EU level (for instance in the context of the 8th Environment Action Programme). The Commission will continue working to enhance the monitoring framework while keeping it simple enough to provide an overall overview.
4.1. Monitoring **circular business models** (such as reuse, repair, refurbishment, platforms for sharing, second hand selling premises and platforms) and measuring the size of their market share, would be useful indicators.	The monitoring framework includes economic and social indicators addressing specific circular economy sectors, like waste management, repair and reuse. The data are collected with the Business Statistics Regulation.

	Producing new data, e.g. about circular business models is important and should build on existing data from innovative sources, limiting reporting burden on the small and medium-sized enterprises (SMEs) and other businesses.
4.2. The **life expectancy of products should be included** to assist in eliminating planned obsolescence and drive circular design.	It is very difficult and challenging to define and develop an indicator on the life expectancy for all products used in the EU market. This would be very costly for the business sector and the Member States. A qualitative indicator considering specificities of a basket of products or building in survey could be explored.
4.3. Data on **SMEs** minimising waste in their business models is already available, and should be used as an indicator[46].	The Flash Eurobarometer 498[47] provides an update presenting the results of the 2021 survey. When it comes to waste, the Commission considers it more relevant to use quantitative waste indicators to measure progress towards the legally binding or aspirational targets, as those apply to the overall economy and not only to SMEs.
4.4. A headline indicator of waste going to landfill and incineration should be included to monitor remaining non circular practices. **Measured specific waste streams should extend to all sectors**, including construction, textiles, electronics etc., and not just measure recycling rates in these sectors.	The indicator on total waste generation presents the share of major mineral waste and is presented according to the economic activity of producers and households[48]. In addition, sub-indicators monitor municipal waste, food waste, packaging waste and plastic packaging waste. In view of limiting the number of indicators to a manageable number, and to avoid unbalance in the framework, the Commission has decided not to include more indicators on waste generation. The

46 Flash Eurobarometer 456: SMEs, resource efficiency and green markets - Data Europa EU.
47 https://www.da-ra.de/dara/study/web_show?res_id=773961&lang=&mdlang=en&detail=true
48 see Figure 5.3.2 of SWD(2023) 306

	Eurostat database includes more data on waste generation[49].
4.5. Monitoring other types of waste originating from the linear economy such as **pollutants in soil, air and water**, including microplastics, should be included. Food production monitoring should also be included where data is available.	Monitoring pollutants in soil, air and water is very important, but it is beyond the scope of the Circular Economy Monitoring Framework. The Commission informs that the First 'Zero Pollution' monitoring and Outlook report can be used[50]. Also relevant is the monitoring framework for the 8th Environment Action Programme. For microplastics, currently there is not an agreed methodology to measure microplastics releases in the environment. The food waste indicator is included in the Circular Economy Monitoring Framework, as sub-indicator for waste generation.
4.6. **Fossil fuel subsidies** should be monitored as a public funding measure that is used to support non circular energy production.	This indicator is used in the context of the Energy Union and the 8th Environment Action Programme.
4.8. There is a welcome headline figure for **employment in the CE,** but it is a matter of urgency to monitor the figures with a breakdown that will help understanding. This includes a breakdown according to **gender, age, salary** etc. It is also important to monitor labour accidents per sector.	Such disaggregation is not available under the Structural Business Statistics. The indicator on fatal accidents at work is used to monitor EU progress towards the Sustainable Development Goals (SDGs), for SDG 8. 'Decent work and economic growth'. It is also accessible through the Statistics Explained article by Eurostat[51].
4.9. An indicator on skills **(human capital component)** is required to identify gaps, inform training and education programs and ensure capacity within the market[52].	The Commission recognises that skills are essential for the transition to the circular economy. However, as regards indicators data for EU is not available and it is challenging to develop a

49 https://ec.europa.eu/eurostat/web/waste
50 https://environment.ec.europa.eu/publications/zero-pollution-monitoring-and-outlook-report_en
51 https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Accidents_at_work_statistics
52 EESC Study on Europe's Circular Economy and its Pact for Skills: working together for an inclusive and job-rich transition.

	common definition to determine skills for the circular economy.
4.10. The website associated with the Monitoring Framework is useful, has improved and should be maintained. A new website, hosted by the Commission using Eurostat data, **mapping out the goals and targets** and indicating how close to achieving them we are, would be very **useful in order to stimulate action and drive for achieving such targets**.	Currently there are no overarching mandatory targets for the circular economy. The Circular Economy Action Plan 2020 refers to aspirational targets by 2030, to double circular material use rate; decrease material and consumption footprint; significantly reduce total waste generation; and halve the amount of residual (non-recycled) municipal waste. Relevant indicators are included in the revised circular economy monitoring framework. The Commission will consider ways to better inform stakeholders on the progress towards the targets and objectives, building on the indicators used in the circular economy monitoring framework.