



ECO/ESG

Brussels, 24 April 2025

To the members of the
European Semester Group

The secretary-general of the European Economic and Social Committee is pleased to enclose the

MINUTES
of the 35th meeting
of the
European Semester Group,
held at the Committee building in Brussels
on
24 April 2025

The European Semester Group (ESG) held its 35th meeting at the Committee building in Brussels, from **09:30 to 13:00 on Thursday, 24 April 2025**. It was a hybrid meeting, with some members connecting remotely via the Interactio videoconferencing system and others attending in person. The meeting was chaired by the ESG president, **Luca Jahier**.

1. Adoption of the draft agenda

The draft agenda was adopted.

2. Approval of the minutes of the 34th European Semester Group meeting held on 20 February 2025 (EESC-2025-01231-00-00-PV-REF)

The minutes were approved.

3. Introduction by **Mr Jahier**.

- Mr Jahier introduced the discussion on the work of the Joint Research Centre (JRC) on **developing a multidimensional dashboard approach to measure sustainable and inclusive well-being**, and highlighted the quality of the work.
- Starting from the large number of existing indicators used across various directorates-general, policies and budget lines, the aim was **to build a systematic proposal and a coherent framework that could eventually help to streamline the current fragmented system**.
- This work could prove particularly relevant in light of **upcoming discussions on the next multiannual financial framework (MFF)**, which are expected to cover not only the volume but also the structure of the EU budget. Changes might significantly alter the EU's financing model and its relationship with Member States. In addition, the recent reform of the fiscal framework, adopted after lengthy negotiations, had introduced new rules allowing some categories of public expenditure to be excluded from deficit calculations. While the long-term implications remain unclear, this will likely influence the EU economic and fiscal governance.
- At the same time, some elements have remained unchanged. The 13 indicators used in the macroeconomic imbalance procedure under the Alert Mechanism Report continue to reflect an approach shaped by strict austerity rules, despite major economic and policy developments in the meantime.
- In addition, Mr Jahier mentioned the other agenda items, including the current status of the medium-term plans and the Member States' annual progress reports, as well as the joint discussion on the draft programme for the annual European Semester Conference.

4. **Measuring sustainable and inclusive well-being: a multidimensional dashboard approach.**

Presentation by Professor **Enrico Giovannini** and discussion with the JRC authors and ESG members.

Mr Giovannini presented the following points:

- Before presenting the work carried out at the JRC, Mr Giovannini began by explaining **the origin of the word 'statistics', which was derived from the term for the science of state**, highlighting that the topic at hand – how to measure well-being – is among the main political issues currently being discussed. **He stressed the link between metrics and policy-making** and said that indicators are not neutral but rather reflect political choices. The US Department of Commerce had decided on the definition of GDP in 1944 and it had been a political decision, not a technical one.

- He referred to a recent example in the United States, where, in an apparent effort by the Department of Government Efficiency (DOGE) to cut inefficient spending, the Secretary of Commerce had unilaterally changed the definition of GDP to exclude public employee salaries, a move seemingly intended to prevent GDP from declining as a result of public job cuts.
- He said that **statistics could be manipulated to support policy choices**, a pattern often seen in autocratic systems, where statistics are used to support policies without any adherence to international principles of official statistics.
- Mr Giovannini questioned whether the EU should present an alternative vision to the world. **Article 3 of the Treaty on European Union (TEU) makes no reference to GDP, but instead speaks of promoting peace, EU values and people's well-being.** The rest of Article 3 clearly quotes **all 17 Sustainable Development Goals (SDGs)**, including the term sustainable development twice. He argued that the EU's strong focus on GDP might be misplaced, as GDP does not adequately capture what truly matters.
- He noted that **'resilience' has become a key concept in EU policy-making** and hoped that the JRC's work could contribute to making 'sustainable and inclusive well-being' an equally central objective. He said that **the United Nations would soon announce the establishment of an expert group to implement the Pact for the Future**, with the goal of moving beyond GDP as a dominant indicator. He asked how such data could be **integrated into the European Semester to support a more balanced set of policies.**
- Mr Giovannini presented the new development paradigm, where various forms of capital (natural, human, social) are combined in the production process in order to produce GDP, goods and services. Then, **part of the GDP is reinvested to re-establish the capital or to increase the various forms of capital, while the rest is consumed, generating well-being.** However, the way we produce and consume generate waste, which affects well-being both directly and indirectly. He questioned whether such complexity could be captured by a single figure like GDP and warned against the bias of focusing exclusively on this indicator.
- He stressed that the SDGs are not simply a list of targets, but represent a new way of understanding and changing how the system works. **The challenge is to develop a set of indicators that are broad enough to reflect this complexity but not too simple or too numerous as to become impractical.**
- He noted that the choice of GDP as the central measure was historically political: the US government had adopted the British model focused on production, rather than the American model based on consumption and well-being.
- **In the 2023 Strategic Foresight Report, the JRC had evaluated a health-adjusted GDP.** On this basis, Europe outperformed the USA, where life expectancy is lower. He also talked about the UK's Office for National Statistics, which had introduced the concept of 'inclusive income' – broader than disposable income – revealing that around 45% of the net 'inclusive income' came from sources that were not considered in the national account system.
- The JRC had linked the concept of resilience with sustainable development, proposing the concept of **'transformative resilience': the ability not just to return to a pre-crisis state, but to advance towards a more optimal position.** Indicators of geopolitical, economic, social and technological vulnerability and resilience had been developed and included in the 2022 European Semester. However, they had recently been removed, even as Europe faced multiple simultaneous shocks.
- Mr Giovannini explained that 'sustainable and inclusive well-being' is currently the most widely used concept for capturing both the intra- and intergenerational dimensions of well-being. **The JRC**

paper published in January 2025 measured present and future well-being and the links between them, offering a more comprehensive picture than GDP alone.

- He presented key elements of the Sustainable and Inclusive Well-being (SIWB) framework, including analysis across Member States. The framework made it possible to assess trade-offs, such as GDP per capita versus environmental preservation, and current well-being versus future resources.
- According to the JRC's work on the relationship with GDP, several countries and the EU as a whole performed better in terms of GDP per capita than in terms of SIWB.
- Overall sustainable inclusive well-being had been stagnant between 2019 and 2021 and had then declined. This is also related to the observed decline in future resources, societal resilience and nature-related variables.
- The extent to which these variables were forecast or used by various Commission departments would also be examined.
- Mr Giovannini concluded by stressing the need to change the lens through which we view the economy.

Mr Jahier opened the floor for questions and comments. **Mr Palmieri, Mr Schlüter, Mr Andersson, Mr Doz, Orrit, Mr Edelényi, Mr O'Connor, Mr Wagener, Mr Dandea, Mr Robyns, Mr Salafranca Sánchez-Neyra, Mr Sipko** and **Ms Del Rio** raised the following points/questions:

- The debate on inclusive sustainability must also include the question of European public goods, which is frequently raised in the context of the EU budget and the MFF. These public goods are influenced by economic, institutional and political factors. Article 3 TEU lists such public goods. Expenditure in defence is also a European public good. Ensuring equal treatment of all public goods is essential for fostering inclusiveness and, in turn, making the European system more resilient.
- The question that should be asked regarding the system Mr Giovannini had presented is if there is a place for civil society organisations, the non-profit sector, social economy entities, cooperatives and services of general interest. *How are data collected for such entities, especially in small villages or rural areas? Could this approach to GDP become standard among Member States, and could the European Semester support its implementation?*
- Measuring GDP is indeed limited in scope and it is already difficult to collect the appropriate data with the current definition. Its strength lies in its close link to remuneration and production. It is also important to underline the importance of income for workers. There is a risk that using around 160 variables, instead of a more concise set, might lead to selective interpretation of developments. The link between debt levels and the well-being of future generations is also critical.
- Competitiveness is often assessed through trade, but other factors such as life expectancy, food quality, public healthcare, tourism and migration also play vital roles for the economy. The Draghi report should also be interpreted with these social dimensions in mind, which are often overlooked.
- A question was raised about the correlation between well-being, as defined by the SIWB framework, and the subjective perception of happiness. In countries with low GDP, poor social, health and environmental conditions, and low-quality institutions, quality of life might still be perceived as high. *What might be missing from current models to bridge the gap between measurable indicators and the more emotional, cultural and perceptual aspects of politics? Is the current model shaped by a north-western perspective on well-being?*
- There is a tendency to rely on narrowly capitalist criteria to measure development, often dismissing the inclusion of human well-being. The comparison between a system of growing inequality and one that seeks to include well-being results in the conclusion that the first system does not work.

Yet, even under narrow capitalist criteria, systems marked by rising inequality, such as the USA's, have proven unsustainable and their success is disguised by the fact that they are running an enormous fiscal and current account deficit. Attempts to reverse globalisation had not succeeded in any major economy.

- It was suggested that the European Semester should incorporate planetary and social indicators alongside macroeconomic ones. With regard to the JRC's future well-being indicator, a difficult trade-off emerges between present and future well-being in a world of limited resources. *How can we explain to today's population, which is struggling with poverty and inequality and is more concerned about the end of the month than the end of the world, the importance of investing in future well-being?*
- *Why, despite broad recognition that GDP alone is insufficient, does it remain politically difficult to adopt sustainable development indicators?* For instance, the ZOE Institute's 'Development Doughnut' infographic, based on the 200 UN indicators, had been recommended in the EESC's ECO/551 opinion as a Green Deal scoreboard method, but had not been accepted by the Commission.
- *To what extent are demographic trends, such as birth rates, life expectancy and migration, included in the JRC's analysis? Are there reasonable assumptions to support their inclusion in a consolidated set of indicators that we can use to establish a course of action?*
- *Is the EU prepared to have a different vision of the world?* Article 21 of the Treaty on the Functioning of the EU (TFEU) calls for multilateralism. *Can the EU develop a distinct foreign policy model, different from that of the United States?*
- Externally, climate and geopolitical shocks are key concerns, while internally, public debt and income inequality pose major challenges for the EU. *Does the JRC analysis include the Gini coefficient or compare GDP in terms of purchasing power parity and nominal values? How do new developments, such as US tariffs, affect the EU's capacity to maintain well-being amid already high and rising debt levels?*
- Under the Belgian Presidency of the Council, there had been efforts to include social indicators in the European Semester. However, the only outcome had been the Social Convergence Framework, which was statistical rather than binding. Indicators that guide national policy are necessary. Sometimes, competitiveness and well-being indicators contradicted each other. Trade agreements and proposals such as the Omnibus package risk undermining social and environmental standards in the name of safeguarding income. Yet income is just one part of well-being, which also includes health, education, leisure and happiness. The European economic model cannot be equated with those of the US or China. The real question is whether the EU is willing to defend its model.

Mr Giovannini replied to the comments and questions as follows:

- The main political difficulty lies in the reluctance of decision-makers to adopt new ways of thinking and acting, as well as the resistance to shifts in political leadership and power structures. To truly commit to the objectives set out in Article 3 TEU, we must promote them consistently in our multilateral world.
- The belief that competitiveness and sustainability are incompatible is a misconception. No study had shown that adopting sustainability resulted in a loss of competitiveness. On the contrary, a recent Ernst & Young (EY) study on the new economy had found that, over the past two decades, developed countries had managed to increase GDP, reduce CO₂ emissions and stabilise raw material consumption.

- The model developed by the JRC already incorporates indicators related to regional disparities, household disposable income and in-work poverty.
 - While it is true that a large number of indicators can complicate decision-making, this should not prevent their inclusion where they provide meaningful insights.
 - The JRC's report presents a model and indicators that explicitly take the needs of future generations into account.
 - The model adopts a different approach from the traditional north-western approach. It includes indicators that are absent from the current GDP framework, which often results in southern countries being categorised as poor despite possessing strong social capital. This model offers Europe a chance to promote a more balanced and equitable concept of multilateralism.
 - Mr Giovannini also commented on the Omnibus package, on the need to make reporting on sustainability easier, and noted its contradictions. While the EU had successfully encouraged external players, such as Chinese companies, to apply due diligence, the package's competitiveness-driven logic ran counter to the values and goals set out in Article 3 TEU.
5. Member States' annual progress reports on **medium-term fiscal-structural plans** – Presentation by Francesca Scaturro, DG ECFIN, European Commission.

Ms Scaturro pointed out the following concerning the reformed economic governance framework and its implementation:

- **The reformed EU fiscal framework**, with Member States' medium-term fiscal-structural plans (MTFSPs) as its cornerstone, **entered into force on 30 April 2024. The annual progress reports (APRs)** that the Commission would soon receive from the Member States will be an essential input to monitor the implementation of the reformed framework, starting from the current European Semester cycle.
- **The objective of the reform was to ensure public debt sustainability while promoting reforms and investments.** Fiscal requirements were tailored to each Member State and fiscal adjustments were country-specific but still under a common and transparent framework. Each Member State committed to a net expenditure path, which represented a medium-term budgetary constraint ensuring that debt and deficit were kept at prudent levels. Under the reformed framework, the net expenditure growth rate is the sole operational indicator for fiscal surveillance. The framework allows for more gradual fiscal adjustments and extended adjustment periods for Member States committing to a set of reforms and investments (R&Is) that fulfil certain conditions.
- **In the context of the reformed framework, the Commission uses a methodology that largely draws on the standard debt sustainability analysis (DSA) approach, with slight adjustments to fit the specific aim of budgetary planning.** The methodology used in the reformed framework assessed whether a Member State's planned fiscal adjustment would effectively reduce public debt in the medium term, including under adverse conditions.
- **The MTFSPs combine fiscal requirements with reform and investment incentives.** Member States requesting extended adjustment periods must commit to a broader and more specific set of reforms and investments that supported growth and resilience, while ensuring that nationally financed investment did not fall below its initial level.
- **The work on the medium-term plans had started after the publication of the Spring 2024 Package and the issuing of prior guidance by the Commission.** Member States had been involved in technical dialogues with the Commission and most of them had submitted their medium-term plans between September and mid-October.

- **The Autumn 2024 Package had marked the beginning of the implementation of the reformed framework.** It had included the Commission's assessments of the MTFSPs, the Commission's opinions on the Draft Budgetary Plans of euro area Member States, and proposals for Council recommendations to correct excessive deficit under Article 126(7) TFEU.
- Between September and November 2024, the Commission had received and assessed **22 MTFSPs**. **Two more** MTFSPs had been submitted after the Autumn Package and were under review. To date, three Member States – Austria, Germany and Lithuania – had not yet submitted their plans.
- The MTFSPs and APRs differ significantly in nature: **while MTFSPs set policy commitments, APRs are administrative documents presenting outturn data and describing the implementation steps taken. APRs do not alter the policy commitments set out in the MTFSPs but serve as essential input into economic policy coordination.** They continue the practice of the National Reform Programmes, and report on progress in implementing country-specific recommendations (CSRs), addressing macroeconomic imbalances, delivering the European Pillar of Social Rights, achieving the SDGs and fulfilling shared EU priorities. They also include reporting on the recovery and resilience plans (RRPs) for the lifetime of the Recovery and Resilience Facility.
- The reporting requirements for APRs were set out in Article 21 of Regulation (EU) 2024/1263 and further specified in Commission Notice C/2024/3975. **Each Member State had to submit an APR to the Commission by 30 April each year, detailing effective actions and related measures.** APRs not only monitor the implementation of MTFSPs but also cover other key aspects of the European Semester, including CSRs and RRP.
- The annual and cumulative deviations from the recommended net expenditure path will be recorded in the **control account**, an essential tool for monitoring compliance with the framework. The information presented in the APRs will be taken into account by the Commission for the assessment of the implementation of the MTFSPs. The 2025 Country Reports will include an Annex dedicated to fiscal surveillance, where **this assessment will be presented.**

The ESG president opened the floor for questions and comments. **Mr Doz Orrit, Mr Sipko and Ms Del Rio** raised the following points/questions:

- The ReArm Europe package, worth several billion euros, includes a safeguard clause permitting Member States to reach a 1.5% deficit level in their fiscal plans. The EESC had recently discussed the White Paper for European Defence and the ReArm Europe plan in an opinion. Concerns were raised about having a plan that allows for further debt and deficits across Member States without any coordination. There must be a plan in order to support various Member States' defence programmes. Such joint EU debt could significantly influence national plans and policy choices. Moreover, the Stability and Growth Pact might impact other areas, including investment and cohesion policy. *Has the Commission, and specifically DG ECFIN, assessed the implications of these developments and whether they might affect the MTFSPs and their objectives?*
- The World Economic Outlook had projected euro area growth at 1.2% for the year. Following recent trade distortions, this forecast had been revised down to 0.7%. *Does the Commission intend to account for such external shocks, including geopolitical fragmentation and climate-related risks, which have historically been underestimated? How would such factors be integrated into risk assessments and how could Member States still meet fiscal requirements under these conditions?*
- The APRs are expected to take into account the previous year's CSRs, while the new CSRs will be published in May. *How does the Commission plan to manage this timeline, especially regarding the assessment of the APRs? What parameters can be used to ascertain whether Member States are*

delivering on the implementation of the European Pillar of Social Rights (EPSR), the SDGs and shared EU priorities within the APRs? While the Social Convergence Framework offers indicators, these are not binding.

- The ESG president said that, given the entry into force of the new framework, as well as the timeline and deadlines linked to it, attention must be paid to future developments such as the next MFF, the defence package and the Competitiveness Compass, all of which would need to be incorporated into the European Semester. He asked whether the Commission is considering revising the European Semester's timeline or whether the process will continue as it is, with certain elements postponed or dropped where needed.

Ms Scaturro replied to the remarks highlighting the following:

- At present, there is a reflection in the context of the MFF on whether in the future the European Semester could have a role in the EU budget in general (Recovery and Resilience Facility coming to an end in 2026). In the preparation of this year CSRs, old CSRs were maintained if still pertinent, while abandoned if considered obsolete. In the transition towards the reformed economic governance framework, no gap was encountered in fiscal surveillance, which was conducted consistently within the European Semester cycle(s).
 - Each Country Report this year would include a dedicated Annex on fiscal surveillance, referring to the elements of the Commission's assessment taking into account the APRs. No separate Staff Working Document (SWD) would be issued to assess Member States' fiscal outcomes; instead, the Annex to the Country Report would serve that purpose.
 - Following up on the 'White Paper for European Defence – Readiness 2030', in its Communication of 19 March 2025 (C(2025) 2000 final), the Commission proposed to make use of the flexibility provided within the existing EU fiscal framework to accommodate the transition to higher levels of defence expenditure through a coordinated activation of the national escape clause (Article 26 of Regulation (EU) 2024/1263).
 - Member States were invited to include in their APRs data on defence spending (total and investment). The Commission was considering issuing recommendations for Council Recommendations in the Spring Package to activate the national escape clause for those Member States that requested it. The Commission considered COFOG (Classification of the Functions of Government) defence categories as appropriate to assess the impact of defence spending on government deficit, debt and net expenditure.
 - Although the timeframe for the delivery of the first MTFSPs was tight (transitory provisions applying), national consultation remained an essential element, ensuring Member State ownership of the process. The assessment of the plans reported on whether Member States engaged in stakeholder consultation before the submission of the plan.
6. Joint reflection on the **draft programme** for the annual **European Semester Conference** in June 2025.

Mr Jahier presented the first draft proposal for the annual European Semester Conference, scheduled for 24 June 2025:

- Two panel discussions are planned. The first panel will focus on the European Semester, exploring how to enhance its political dimension, increase clarity and transparency and improve civil society involvement. The second panel will address how to better integrate the SDGs into the Semester cycle.

- The proposed programme was endorsed by all members of the European Semester Group.

7. Any other business.

No other business was discussed.

8. Confirmation of the date of the next meeting (36th): **24 June 2025** – with the 2025 ESG conference in the morning and the 36th ESG meeting in the afternoon.

Mr Jahier concluded the debate and thanked all members for their participation and contributions.

ATTENDANCE LIST

List of members				
Mr/Ms	Present	Remotely	Absent	Apologies
ANDERSSON, Krister	X			
ANTONIOU, Michalis (replaced by Eleni PANAYIOTOU)		X		
ATS, Kerli	X			
BOLLON, Pierre	X			
CABRA DE LUNA, Miguel Ángel		X		
CALISTRU, Elena-Alexandra		X		
DANDEA, Petru Sorin	X			
DEBAY, Pascal	X			
DEL RIO, Cinzia	X			
DOZ ORRIT, Javier	X			
EDELÉNYI, András	X			
GOBIŇŠ, Andris	X			
IOANNIDIS, Athanasios	X			
JAHIER, Luca	X			
KINDBERG, Mette	X			
KIUKAS, Vertti	X			
LIBAERT, Thierry				X
LOBO XAVIER, Gonçalo			X	
MANOLOV, Dimitar			X	
MARTINOVIĆ DŽAMONJA, Dragica	X			
MORKIS, Gintaras				X
O'CONNOR, Jack	X			
OCHĘDZAN, Justyna Kalina			X	
OSTROWSKI, Krzysztof	X			
PALMIERI, Stefano	X			
PANAYIOTOU, Eleni (Rule 87 from ANTONIOU, Michalis)	X			
PLAT, Jacob	X			
POČIVAVŠEK, Jakob Krištof		X		
REALE, Maurizio		X		
ROBYNS DE SCHNEIDAUER, Wautier	X			
SALAFRANCA SANCHEZ-NEYRA, José Ignacio	X			
SCHLÜTER, Bernd		X		
SCHMIDT, Peter	X			
SIPKO, Juraj	X			
SVENTEK, David			X	

VARDAKASTANIS, Ioannis			X	
VON BROCKDORFF, Philip		X		
VORBACH, Judith		X		
WAGENER, Marco	X			
ZARIŅA, Katrīna			X	