On 30 June 2026, the European Semester Group (ESG) of the European Economic and Social Committee (EESC) hosted its annual conference on the theme of *European Semester 2026: Driving competitiveness, sustainable growth and social resilience in a strategic budgetary framework*. The conference brought together the views of EU institution representatives, experts, and representatives of organised civil society[1] and national economic and social councils (NESCs). Interactive discussions explored how – in an increasingly demanding global environment – the European Semester could be further strengthened as an effective instrument for achieving coordinated action, economic resilience, social fairness, and long-term competitiveness within a strategic budgetary framework. In particular, the conference provided an opportunity to reflect on the following two key topics: (i) *Delivering the EU's priorities through a strategic European Semester: competitiveness, sustainable growth and social resilience*; and (ii) *Building a strategic link between the European Semester and the future Multiannual Financial Framework (MFF).*

CONCLUSIONS

Delivering the EU's priorities through a strategic European Semester: competitiveness, sustainable growth and social resilience:

- The European Semester remains the EU's key framework for coordinating Member States' economic, fiscal, employment, and social policies, and its effectiveness depends on **balancing competitiveness, social resilience, and fiscal sustainability**. **European competitiveness** should be **economically strong, socially fair, and environmentally sustainable**. It has to be based on the **strength of the EU's human capital, social cohesion, and the capacity to invest in the future**. Europe's competitiveness, sustainable growth, and social resilience depend on a European Semester that **aligns reforms, investments, and public resources through socially and environmentally sustainable policies**, supported by genuine stakeholder participation and national ownership.
- The European Semester has successfully evolved over time to respond to emerging challenges and its broad scope has allowed it to encompass both the economic and the social

1 The social partners and civil society organisations.

dimension. It should remain the EU's central framework for coordinating reforms and investments, with **stronger and more timely involvement of organised civil society to improve the quality, ownership, and effectiveness of policy-making**. **Successful reforms and investments depend on public acceptance**, and **clarity about the need for and benefits** of the policy actions.

- The 2026 European Semester should guide reforms and investments through **strategic, objective-based country-specific recommendations (CSRs) that strengthen competitiveness, sustainability, and social resilience**, while giving the Member States sufficient flexibility and promoting national ownership. The scope of this year's CSRs has been broadened to better reflect the regional and social dimension.
- **Climate adaptation and resilience have become immediate economic and social priorities.** The European Semester should **accelerate Europe's green transition by prioritising decarbonisation, climate investment, and energy security**, and should be supported by transparent implementation and stronger coordination.
- **Social objectives should be placed on an equal footing with fiscal governance by strengthening the social recommendations and embedding structured civil society participation** throughout the policy-making process to ensure that reforms are more effective, democratically legitimate, and beneficial for citizens.

<u>Building a strategic link between the European Semester and the future Multiannual Financial Framework (MFF):</u>

- **The** stronger **link between the European Semester and the future MFF should be accompanied** by a **robust performance framework**, with **clear indicators, accountability, and traceability**, ensuring that EU-funded reforms deliver measurable results for citizens, **while respecting regional needs and multi-level governance**.
- The **European Semester and future MFF must strengthen** and not weaken the **social dimension** of EU governance by safeguarding social investment, **reinforcing social indicators** and oversight, and **better integrating economic and social objectives**.
- The future MFF should use the **European Semester as its strategic foundation to link reforms and investments through a positive, inclusive governance framework** that increases the European added value of the EU budget and supports common strategic priorities. It should **inform the programming process in an operational and transparent manner**, ensuring **predictability** and a level playing field across the Member States and regions. It should **align with EU priorities**, while taking into account specific national and regional needs, and **foster the consistency and complementarity of policy reforms and investments** across the Member States, regions and the EU, while improving impact and efficiency.
- The European Semester and future MFF should place **meaningful social dialogue and investment in people at the centre of economic governance**, ensuring that adequate **EU funding supports both competitiveness and social objectives** as mutually reinforcing priorities.
- The future MFF and the European Semester should focus on **well-targeted reforms and investments** that strengthen competitiveness, prioritise skills and labour market participation, and **use the EU budget strategically to leverage significantly greater private investment**.

MINUTES

The conference was chaired by **Gonçalo Lobo Xavier**, president of the EESC's European Semester Group (ESG). The first and second panel discussions were moderated by Judith Vorbach, and Luca Jahier, respectively, vice-presidents of the ESG.

Opening speeches:

Gonçalo Lobo Xavier, president of the ESG, opened the conference, presented the speakers and agenda, and highlighted the following points:

- The European Semester was presented as the EU's key framework for coordinating, monitoring and evaluating Member States' economic, fiscal, employment, and social policies. It must remain an **effective instrument for policy coordination, while actively strengthening competitiveness, sustainable growth, and social resilience within a strategic budgetary framework**.
- The significant role of organised civil society was highlighted and it was noted that the ESG comprised 34 members who collaborated regularly with European institutions and national stakeholders. Each year, a broad consultation was organised involving national economic and social councils, the social partners and civil society organisations across the Member States to gather insights into key priorities emerging during the European Semester cycle.
- For the 2025-2026 consultations, the focus was on reforms and investments in the Member States, particularly those based on the 2025 country-specific recommendations (CSRs) and their implementation, the medium-term plans, the completion of the national recovery and resilience plans and the link between the MFF and the European Semester. The same approach would continue the following year to achieve more meaningful outcomes.
- The following **key message** had emerged from this year's consultation: The EESC called on the European Commission to **improve the quality and the timing of the information and consultation processes within the European Semester**. It advocated the establishment of a **European code on consultations within the European Semester**, including guidance on the preparation and implementation of national plans, in accordance with national practices and social dialogue frameworks.

Elena Calistru, the ECO section president, addressed the conference via video link:

- Ms Calistru highlighted the timeliness of the discussion, noting that Europe had been facing significant economic and geopolitical challenges, and stressed that there was **a need to strengthen competitiveness, accelerate sustainable growth, and reinforce social resilience**, **through sound policies and a coherent strategic framework linking reforms**, **investments**, **and public resources**.
- The European Semester had played a **crucial role in coordinating** reforms and investments **towards common European objectives.** The 2026 European Semester spring package had reflected this ambition and the Competitiveness Compass had remained an important reference point.
- A **stronger strategic link between the European Semester and the next MFF** could help ensure that European and national resources were directed towards the reforms and investments that mattered most for Europe's future.
- **Competitiveness** could not be pursued alone, but **had to be supported by structural, investment, and fiscal policies that were socially and environmentally sustainable**.

- The success of this process depended on **genuine participation, national ownership, and meaningful dialogue with organised civil society**. Involving civil society was a way of ensuring that EU policy-making reflected the circumstances on the ground and delivered tangible results for all.

Séamus Boland, president of the EESC, took the floor online and emphasised the following:

- Mr Boland stressed the need to **strengthen the European Semester and the role of civil society in this process**. At a time of geopolitical instability, the conference was addressing a highly relevant topic, as **Europe had been facing interconnected challenges**, including geopolitical tensions, security concerns, inequalities, demographic changes, and the rapid development of artificial intelligence.
- He stressed that **prosperity**, **economic resilience**, and **social cohesion had to remain interconnected**, highlighting the urgent need for Europe to speed up its efforts to preserve this balance. Pointing to growing global competition, he emphasised that Europe had to **strengthen its competitiveness and innovation, reinforce its strategic autonomy**, and accelerate the clean energy transition.
- He said that there was **a need for strong coordination, clear priorities, effective implementation, and the active engagement of all relevant actors, at both EU and national level**. He noted that young people had been expecting European solutions, particularly regarding housing, and that this issue required close attention.
- **European competitiveness** should not be measured solely through productivity or market performance, but **had to be based on the strength of our human capital**, **social cohesion, and the capacity to invest in the future**. **The European model of** competitiveness **should be economically strong, socially fair, and environmentally sustainable**, supported by increased public and private investment in strategic areas such as innovation, digitalisation, infrastructure, skills, energy resilience and defence readiness.
- Mr Boland stressed **the importance of the discussions on the next** MFF and noted that the 2026 European Semester cycle would serve as a **bridge** towards it, with the national and regional partnership plans (NRPPs) expected to address the challenges identified in the Semester, notably via the CSRs. In this context, **organised civil society had an essential role to play in ensuring that the partnership plans reflected societal needs**. Therefore it was important for those plans to be drawn up and implemented in close cooperation with national and regional authorities, the social partners and civil society organisations.
- He reaffirmed the EESC's commitment to ensuring that **the voice of organised civil society would continue to contribute to shaping Europe's future and to strengthening the legitimacy and effectiveness of European policy-making**, especially by providing expertise and strengthening cooperation with other European institutions. He concluded by saying that excluding the EESC from policy-making would mean neglecting social cohesion.

Judith Vorbach, the vice president of the ESG, opened the panel:

- The key challenge was to more effectively translate common EU priorities into specific national reforms and measurable outcomes, and ensure that everyone benefited, including companies, SMEs, workers, farmers, consumers, and organised civil society.

First panel – interventions by speakers:

Jakob Wegener Friis, chief economic advisor to the president of the European Council:

- Mr Wegener Friis explained that the European Council was not directly involved in the European Semester, other than formally endorsing the CSRs before their formal adoption by the Council. **Competitiveness, social resilience, and the sustainability of Europe's growth model remained central to the agenda of the European Council**.
- The **European Semester** was described as the EU's main economic policy coordination tool, having a **crucial role to play,** particularly **in addressing the interdependencies and trade-offs, and in prioritising different policy objectives**.
- It was emphasised that **no contradiction** existed **between competitiveness and social resilience**, nor was there a trade-off between social and fiscal sustainability, as these objectives were seen to reinforce one another.
- The European Semester had successfully evolved over time to respond to emerging challenges. **Its broad scope had allowed it to encompass both the economic and the social dimension**. The implementation of REPowerEU during the energy crisis, the inclusion of housing and poverty in the current Semester cycle, and the integration of the social convergence framework were examples of its increasing relevance, adaptability and evolution over time.
- He underlined that the value of the European Semester extended beyond the CSRs, emphasising the importance of the Commission's comprehensive analysis and its dialogue with the Member States, regional and local authorities, the social partners, and organised civil society. **Social dialogue had become significantly more prominent** over the past decade. **The implementation of the CSRs had improved**, particularly through the Recovery and Resilience Facility (RRF), but it remained to be seen whether this improvement would be sustained under the proposed NRPPs and the next MFF.
- He stressed the importance of **striking an appropriate balance between setting policy objectives and ensuring the means of achieving them**. Regarding the recommendations, he said that **reforms and investments required a medium-term perspective**, as they matured over time, and that an implementation period of three to four years was more realistic than expecting results within 12 to 18 months.
- Member States should retain sufficient flexibility during implementation, as **successful reforms and investments depended on public acceptance, clarity about the need for and the benefits** of the policy actions, and **broad support rather than financial incentives alone**.
- Turning to the negotiations on the next MFF, he referred to concerns regarding the proposed **link between the implementation of the NRPPs and EU funding**. Several Member States had raised **questions regarding the compatibility of their systems of government where responsibilities are distributed between different levels** – i.e. between national and regional authorities, particularly in federal systems **– and the management system provided for in the NRPPs**. Some Member States were concerned about being caught between a Commission holding central governments responsible for the implementation of the investments and reforms, and regional authorities who would feel disempowered by what had been proposed for the next MFF compared to the current system of managing cohesion and regional funds.
- **Concerns had also been raised about the future nature of the CSRs**. While they remained non-binding recommendations, he noted that **linking them more closely to EU funding could lead to a perception that they had become de facto binding**.
- These issues would require **broad political consensus among the EU institutions, Member States, and all stakeholders involved in the European Semester**.

Geraldine Mahieu, Deputy Director-General, DG ECFIN, European Commission, then took the floor and explained a number of points:

- The 2026 European Semester spring package, adopted on 3 June alongside the Competitiveness Compass that was inspired by the Draghi Report, provided the strategic framework for the CSRs.
- The three priorities of the Competitiveness Compass were **closing the innovation gap**, **decarbonising our economy while maintaining competitiveness**, and **reducing strategic dependencies**, **supported by horizontal enablers** such as the promotion of skills and quality jobs, the simplification of the business environment, removing barriers in the single market, enabling more efficient financing, and ensuring better coordination.
- The **European Semester** remained particularly relevant in the current context of geopolitical and economic uncertainty, **providing a comprehensive framework for identifying Member States' key policy challenges** through detailed country reports and analysis. This year's CSRs were expected to play a central role in the proposed NRPPs under the future MFF.
- Although discussions were still ongoing, the Commission considered **the European Semester to be the key framework for identifying the Member States' challenges** and reform and investment needs, to be reflected in the NRPPs.
- **The scope of the CSRs had been broadened to better reflect the regional dimension, enabling recommendations to address challenges specific to regions or areas** where responsibilities lay with regional or local authorities. Examples included industrial decarbonisation, broadband deployment, and regional labour market disparities.
- The main policy areas covered by the CSRs were outlined, including fiscal sustainability and complying with the medium-term plans; fiscal structural reforms such as taxation, pension and healthcare reforms; energy security and renewable energy deployment; water management; economic security; defence preparedness; and the business environment and access to finance.
- The **social dimension remained a core element of the European Semester**, with recommendations addressing social fairness and protection, education, skills shortages, and the teaching profession. Housing was also highlighted as an increasingly important priority, noting that 14 CSRs addressed housing-related challenges, including the availability of social housing, in response to rapidly increasing housing costs across many Member States.
- Ms Mahieu underlined the fact that the **CSRs were designed to focus primarily on policy objectives** rather than prescribe detailed implementation measures, given, inter alia, the sensitivity of this Semester cycle for the NRPPs. This approach was intended to flag the real issues and to provide Member States with sufficient flexibility, while promoting national ownership and social dialogue.

Michael Forte, Senior Policy Advisor, E3G (Third Generation Environmentalism):

- The climate and energy dimension of the 2026 European Semester spring package was highlighted by Mr Forte. **Energy dependence remained one of the greatest threats to Europe's economic performance and macroeconomic stability**.
- Mr Forte highlighted the high economic cost of the recent 2026 energy crisis, which was over EUR 60 billion. He stressed that **reducing fossil fuel dependence through decarbonisation and electrification should remain a key priority of the European Semester**. He welcomed the emphasis placed by the 2026 spring package on the phase-out of fossil fuels, the deployment of renewable energy, and the modernisation of energy infrastructure.
- As many of the relevant policy areas fell within national competences, it was noted that peer learning, technical assistance, data-sharing and the exchange of best practices were critical. In this regard, the

European Semester played an important role in supporting policy coordination, complementing existing legislation and financial support.

- Mr Forte also emphasised **the need for increased climate investment, noting that the climate investment gap remained substantial** and that the national fiscal space would remain insufficient to close this investment gap. He welcomed the proposal to extend the national escape clause for defence spending to investments aimed at reducing fossil fuel dependencies, while excluding untargeted fossil fuel subsidies, describing it as a positive step towards supporting the green transition.
- As the Commission and the national governments prepared to draw up the NRPPs, successful implementation would require **greater transparency, clearer guidance, and enhanced technical assistance in order to translate the CSRs into specific reform and investment needs**, while still maintaining collective ownership. He also highlighted **the importance of involving organised civil society**, trade unions, businesses, and civil society organisations from the earliest stages of the planning process.
- Mr Forte pointed to the revision of the Governance Regulation for the national energy and climate plans (NECPs) as an opportunity for simplification and synergies with the European Semester, and for streamlining the dialogue between the European Commission and the Member States, and ensuring that the investments and reforms are delivered as a whole-of-government approach across all levels of governance.
- **Climate adaptation and resilience had become immediate economic and social priorities**, given the increasing costs of climate-related extreme weather events. The forthcoming Climate Resilience and Risk Management Framework would provide an opportunity to strengthen risk assessment and support better-informed fiscal and investment decisions.
- Mr Forte concluded by saying that **broadening the understanding of economic performance and stability within the EU's economic governance framework should be accompanied by greater codification, openness and transparency**, **giving predictability to the Member States and local and regional authorities**, **and the opportunity to organised civil society to contribute constructively and continuously to the shared government exercise**.

Piotr Sadowski, Co-chair of the EESC Liaison Group, EESC, brought a civil society perspective:

- Mr Sadowski described the **European Semester as a strategic instrument for EU policy-making**. Still, he argued that **its current design continued to focus on the fiscal framework and on reducing public spending, thereby placing greater emphasis on fiscal governance than on social objectives**. The social objectives remain advisory and this structural imbalance had limited progress in addressing poverty and social exclusion across the European Union.
- Referring to recent figures on poverty, child poverty, homelessness and social exclusion (93.3 million people at risk of poverty or social exclusion in the EU; one in five Europeans living at risk of poverty), he said that progress towards the EU goal of lifting 15 million people out of poverty by 2030 remained insufficient. **One in three social CSRs achieved meaningful progress but most of them had achieved only limited or no progress**.
- Mr Sadowski pointed to **the structural reasons as to why the gap persisted**. First, he argued that **fiscal CSRs were enforceable under the EU's economic governance framework, whereas social CSRs remained advisory** with no consequences for non-delivery. Second, the **involvement of civil society organisations (CSOs) in the European Semester lacked structured consultation**, timelines, formal participation, and systematic feedback. He added that the **2026 CSRs would shape**

the proposed NRPPs under the next MFF, making meaningful stakeholder participation particularly important.

- Organised civil society can **contribute with ground-based data and valuable ground-truth evidence** from communities, its meaningful participation **can strengthen democratic legitimacy**, and it can increase the **implementation capacity**. It already played an important role in implementing and monitoring EU-funded programmes in many Member States.
- **Stronger civil society participation would improve both the effectiveness and the ownership of policy reforms.**
- Mr Sadowski made three proposals for the 2026 Semester cycle: First, an EU regulation for **structured civil dialogue** throughout the preparation and implementation of the NRPPs, including transparent feedback on how stakeholder contributions influenced decision-making. Second, **strengthening the role of the social CSRs** to binding milestones for fund payments, alongside fiscal compliance. Third, **recognising CSOs as eligible implementation partners** under the future MFF, building on the EU Civil Society Strategy.
- **This Semester cycle provided opportunities to strengthen the social dimension of EU policy-making**, such as the fact that the 2026 CSRs would shape the NRPPs under the next MFF, the growing importance of housing affordability and the EUR 43 billion Affordable Housing Plan, as well as the forthcoming EU Anti-Poverty Strategy.
- **Competitiveness and social justice should be regarded as mutually reinforcing objectives and as prerequisites for each other rather than competing priorities**.
- Mr Sadowski described the **2026 European Semester and the negotiations on the next MFF as a unique opportunity to strengthen the role of civil society** and ensure that EU economic governance delivered tangible benefits for citizens.

The moderator, Judith Vorbach, ESG vice-president, opened the floor for discussion. **Cinzia Del Rio, Philip von Brockdorff, Adelina Dabu** and **Luca Jahier** took the floor, putting forward a number of questions and points/comments:

- The European Semester, while still a policy coordination tool, had lost its role in promoting cohesion. Although integration was a distant goal, the Semester should have enhanced social and economic cohesion. Its focus had shifted from social development and upward convergence to competitiveness and resilience. *What had happened to the Social Convergence Framework?*
- The CSRs should not only set policy objectives but also provide governments with practical tools, particularly as Member States used European funding. The Commission's responsibility would be to propose concrete instruments.
- The Semester's social dimension focused mainly on skills, housing, and poverty but placed little emphasis on collective bargaining. The Commission's recommendations failed to emphasise the need for increased collective bargaining coverage, despite the fact that EU legislation promoted it. Only about 20% of workers in some countries were covered by collective bargaining agreements.
- Concerns were raised about the lack of gender mainstreaming as a political choice; it should be prioritised politically and economically, rather than through fragmented measures. The failure to integrate gender across policies was considered a significant political error. Additionally, the omission of the Annual Sustainable Growth Survey (ASGS) from the Semester cycle raised questions about how competitive sustainability would be addressed.
- The significance of access to finance for start-ups and scale-ups was emphasised, noting the importance of increasing the capacity of the European Investment Bank (EIB), the European Investment Fund (EIF), and national promotional banks to support small and medium-sized

enterprises. Regrets were expressed that the Savings and Investments Union remained incomplete, thereby affecting affordable financing for EU companies.

- It was important to distinguish between the international competitiveness of the EU and the competitiveness within the single market. Internationally, there was significant competition from countries like China, especially on costs and technology. Additionally, completing the single market and removing barriers to cross-border activity was essential for the growth of European companies.
- The European Commission's efforts on and funding for housing were welcomed, but still, housing prices remain unaffordable, especially for young people, underscoring the need for more action to address housing costs across the EU.
- The rising temperatures had led many people to buy air conditioners, mostly made in China, which contributed to the EU's trade deficit with China. Europe should invest in innovative technologies for the sustainable cooling of buildings.
- The business community in Romania welcomed the Competitiveness Compass, and structural reforms were seen as essential to the European Semester.
- *How could the real impact of reforms be properly assessed, particularly considering the experience gained from the national recovery and resilience plans (NRRPs) and the 'carrots and sticks' mechanism?* Evaluations had yielded mixed results, and structural reforms often took time to show effects, making their qualitative impact difficult to measure.
- Governments often prioritised meeting funding milestones over achieving substantive structural change, resulting in reforms that met procedural requirements but failed to deliver long-term improvements.
- Romania's reforms under the NRRP should have been better linked to investments and more actively involved regional authorities to ensure implementation and alignment with local needs.
- While the debate had focused on the next MFF, governance and the European Semester, the recent reform of the Stability and Growth Pact had already fundamentally changed the framework. Member States were required to adopt Medium-Term Fiscal-Structural Plans (MTFSPs) lasting four to seven years. These plans created a long-term framework connecting national budgets, investments, and reforms beyond governments' terms. The new framework already offered structural answers regarding the relationship between the CSRs, the investment and reform plans, and national budgets, and these elements should be considered together rather than in isolation. *Can you elaborate on the implications of the new fiscal framework?*

Geraldine Mahieu replied that:

- There could be no sustainable social security without fiscal sustainability. Social protection systems, including pensions, could not be maintained without sound public finances.
- Governments were facing competing priorities, including social policy, defence, energy, and digitalisation. Emphasis should be put on the need to boost productivity, attract private investment and foster economic growth, which would require difficult policy choices and prioritisation.
- In response to concerns about the social dimension of the European Semester, she dismissed claims that it neglected social convergence, as there was the Social Imbalance Procedure. Regarding the CSRs that prioritised policy objectives over specific instruments and means, the Commission recognised policy challenges while giving Member States more flexibility in addressing them, and also emphasising a broad range of social issues in the CSRs like collective bargaining, social dialogue, job quality, social security, and skills.
- The Commission was monitoring gender mainstreaming in the context of the EU budget implementation, like the gender-related expenditure through the RRF. While no specific gender

targets existed, expenditure tracking was in place, and a common methodology would be used in the next MFF.

- She emphasised the importance of completing the Savings and Investments Union and highlighted the role of fully funded pension systems and mobilising long-term investment. Weakening these systems for short-term fiscal gains would be a mistake, as pension funds were vital for financing investment and supporting social objectives.
- The solution regarding rising housing costs lay in increasing housing supply rather than increasing demand through subsidies, which could inflate prices if supply issues weren't addressed. She advocated removing construction barriers, simplifying land-use and permitting procedures, and increasing housing supply, including social housing.
- Structural reforms took time to show results, with a final evaluation of the RRF set for 2028. However, interim studies indicated positive early outcomes, such as Spain's labour market reforms, which had reduced temporary employment and boosted participation. She rejected the notion that the RFF was just a box-ticking exercise, emphasising that genuine reforms had been implemented, even if their long-term effects would take time to materialise.
- Regional authorities were insufficiently involved in the implementation of the NRRPs. The next MFF would enhance regional roles through implementation windows and direct engagement with the Commission. New safeguards would ensure funding for regions implementing reforms, even amidst national delays.
- Regarding the MTFSPs introduced under the reformed Stability and Growth Pact, the Member States should adopt a long-term approach to fiscal policy, linking extended adjustment periods to structural reforms. Governments needed to adjust public spending to meet changing priorities, particularly increased defence spending, while maintaining fiscal consolidation. Improving public spending efficiency, strengthening tax collection, and reducing fraud could support fiscal sustainability without compromising social protection.

Michael Forte responded to points that had been made:

- Mr Forte emphasised the importance of mobilising private investment for the green transition, stating that governments provided policy signals to investors and in that regard the NRPPs would be a key instrument for communicating national priorities and mobilising investment in the energy transition.
- Air conditioning powered by clean electricity, especially from renewable sources such as solar energy, enhanced energy security; therefore, the issue was the electricity source, and not the use of air conditioning itself. In addition, it was important to invest in energy-efficient building renovations.
- Enhancing cross-border electricity grid interconnections and expanding grid infrastructure were key element of the Energy Union, as discussed at the Energy Council on the Electricity Grids Package. Substantial public and private investment was needed to increase cross-border grid capacity.

Piotr Sadowski replied to points made:

- It was important to integrate the social objectives into the European Semester and to combine economic, social, and environmental goals as effectively as possible, as well as to distribute the benefits of growth more equitably among citizens.

- There was a need for a stronger, more binding European Semester with greater democratic involvement. To achieve better integration, the unequal status of the different policy objectives had to be addressed, rather than just adding more indicators to existing monitoring systems. The Macroeconomic Imbalance Procedure (MIP) had clear enforcement mechanisms, whereas the Social Convergence Framework primarily focused on reporting and analysis, resulting in unequal policy outcomes.
- There were three steps to genuine integration:
  - Social objectives should carry equal weight to economic ones. The Social Convergence Framework should have consequences, meaning that risks of social imbalance in a Member State should prompt follow-up and action.
  - There was a need for every CSR to include a distributional impact assessment that examined who benefits and who is disadvantaged across income groups and regions. Currently, the CSRs could be perceived as technocratic and lead to social issues.
  - Social and environmental objectives should be mutually reinforcing and support social fairness, with the Social Climate Fund an example here.
- Finally, Mr Sadowski noted that not everyone benefited equally from the EU's economic success, citing Eurostat data showing that around 21% of Europeans remained at risk of poverty or social exclusion. Fairness would remain largely rhetorical unless poverty and inequality were effectively addressed, necessitating more robust monitoring and accountability to ensure that economic benefits reach all citizens.

Judith Vorbach, vice-president of ESG, concluded the panel discussion:

- Ms Vorbach summarised the panel discussion, emphasising that the objective should not only be to ensure that no one was left behind, but also to guarantee that everyone benefited fairly from economic success and prosperity.
- She highlighted Mr Sadowski's contributions, including his analysis of social challenges, and his advocacy of stronger civil society involvement in the European Semester.
- Ms Vorbach noted Mr Friis's argument that competitiveness and social resilience were not contradictory and that fiscal and social sustainability should advance together. However, some imbalances between these objectives remained, highlighting the need to consider trade-offs, interdependencies, and policy priorities, and look at whether the CSRs should focus on setting objectives or on specifying how to achieve them.
- Ms Mahieu had focused on the European Semester spring package, highlighting the broad scope of the CSRs. These covered areas included regional development, fiscal policy, social issues, housing, defence, economic security, critical raw materials and environmental objectives.
- Mr Forte had mentioned the need to modernise the EU's energy system and reduce its dependence on fossil fuels, while acknowledging the investment required.
- The importance of the social dimension, especially for workers' representatives, needed to be expanded within European policies, with a focus on funding, and housing challenges.

Luca Jahier, vice-president of the ESG, opened the second panel:

- The second panel was to examine how to establish a stronger strategic link between the European Semester and the future Multiannual Financial Framework (MFF). Referring to the consultation carried out by the ESG, Mr Jahier pointed to broad support from national stakeholders for a more structured and coherent link between the European Semester and the future MFF, which would strengthen the coherence, effectiveness and strategic impact of EU policy-making.

- The recent reform of the EU economic governance framework had already introduced the MTFSP plans, providing Member States with a longer-term framework for budgetary planning and reforms.
- At the same time, Mr Jahier cautioned that the proposed governance arrangements for the future NRPPs raised concerns about excessive centralisation and insufficient involvement of the social partners, regional authorities, and local stakeholders in decision-making.
- He also referred to the RRF experience, noting that significant revisions to national plans had often been agreed through negotiations between the European Commission and national governments, with limited stakeholder consultation.
- He also highlighted concerns about the proposed Performance Regulation, warning that weakening monitoring and performance mechanisms could reduce transparency and accountability in implementing the future MFF.
- Finally, Mr Jahier reiterated the EESC's position that the link between the European Semester and the future MFF should be based on positive incentives rather than punitive macroeconomic conditionality. The European Semester should identify key structural challenges through the CSRs, while the MFF should provide targeted financial support to address them.

<u>Second panel – interventions by speakers:</u>

Tony Murphy, President of the European Court of Auditors:

- Mr Murphy acknowledged the current objective of strengthening the link between the European Semester and the future MFF, whereby funding would be more closely linked to agreed reform priorities. At the same time, he stressed that **the priority should be to establish a budget that was fit for purpose**.
- He noted that the proposed approach built on the experience of the RRF, where national plans had been designed to address the CSRs. Drawing on the work of the European Court of Auditors, he said that the **RRF had demonstrated both the potential and the limitations of linking EU funding to reforms**.
- **Member States had often found it difficult to design reforms capable of addressing the broad range of priorities identified through the European Semester**, especially in areas such as labour market and business reforms. The measures didn't fully cover the challenges identified in the CSRs.
- **The RRF performance framework had focused primarily on milestones and targets, tracking the implementation steps rather than their actual results**.
- Some of the most important structural reforms in areas such as labour market, economic, and judicial reforms could not easily be captured through the existing indicator framework for the RRF. These lessons really mattered when going forward to the next MFF.
- **The proposed performance framework for the future MFF did not yet provide a sufficiently robust basis for measuring the results of EU spending for citizens**. If the next MFF was to be based on the performance-based principle, then proper methods and **clear indicators would be essential for measuring the impact of public spending for European citizens**.
- Concerns were expressed regarding the proposed NRPPs, noting that while **stronger alignment with EU priorities would be important, regional needs should also be properly reflected, and partnerships and multi-level governance should be fully respected**. He cautioned that insufficient safeguards could result in economic, social, and territorial disparities being inadequately addressed.

- Mr Murphy, in his concluding remarks, highlighted **four key points:**
  - First, he welcomed the stronger link between reforms and investments but noted that **the experience with the RRF had demonstrated the complexity of designing effective reform packages**. He added that this complexity would increase if the plans also had to address recommendations related to the Digital Decade and the National Energy and Climate Plans.
  - Second, he stressed that **unless performance frameworks focused on outcomes, it would remain difficult to judge whether public spending was delivering real results**.
  - Third, **without adequate safeguards for regional and local needs, the new framework might not fully respond to the challenges faced across the EU.**
  - Finally, **if reforms, investments and budgets were to support sustainable growth, competitiveness and resilience, they must be aligned strategically but also measurable in terms of the results delivered for European citizens**. As the EU budget was funded by taxpayers, both **accountability and traceability must be ensured**.

Li Andersson, Chair of the EMPL Committee, European Parliament

- Ms Andersson began her contribution by highlighting **concerns regarding the future of social spending under the proposed MFF architecture**. The current system for social spending relied on the European Social Fund Plus (ESF+), which provided dedicated funding, clear policy objectives, administrative processes, earmarking mechanisms, and parliamentary oversight.
- Under the new MFF proposal, the ESF+ would be moved into the broader NRPP structure, with 14% of NRPP funding expected to support social objectives.
- However, overall **social spending would be reduced in the next MFF compared to the current MFF**. In addition, the definition of social spending had changed, resulting in a change of categorisation, meaning that other types of activities would be included in the NRPPs that were not previously considered part of the ESF+ framework.
- Ms Andersson warned that **moving towards the NRPP model could weaken the ability to establish European priorities related to social policy**, such as reducing child poverty, tackling youth unemployment, and addressing other common priorities supported through ESF+ earmarking.
- She also raised **concerns about reduced parliamentary oversight**, as decision-making would increasingly rely on negotiations between the European Commission and the Member States.
- The European Parliament had called for a standalone ESF+, either within the framework of the NRPPs or outside it. Regardless of the outcome of the negotiations on the future of the ESF+, the relationship between the European Semester, the CSRs, and the NRPPs would remain essential.
- **The social dimension of the European Semester needed to be strengthened, as it continued to be primarily viewed through the lens of economic competitiveness**. She also acknowledged progress in the 2026 spring package, particularly regarding education and skills. Still, she argued that the social agenda should also encompass broader issues such as homelessness, food poverty, and social inclusion.
- She highlighted the potential of the Social Convergence Framework, the European Pillar of Social Rights (EPSR) and the Action Plan to strengthen the link between social objectives and the European Semester.
- She stressed the importance of clarifying how the results of the Social Convergence Framework would influence the NRPPs, and whether Member States identified as at risk of upward social convergence could receive additional incentives to increase social investment.

- Additionally, Ms Andersson highlighted the **difficulty involved in measuring the impact of social investment, noting that social reforms often required longer timeframes before outcomes became visible**.
- **Performance frameworks should carefully balance outputs and outcomes**, while ensuring that Member States remained aligned with the objectives of the EPSR.
- A **key challenge for the future European Semester was to integrate economic and social objectives** better. She called for **stronger social indicators, more effective tools to address social risks, and greater consistency between economic and social recommendations** to avoid situations where Member States received conflicting policy guidance.

Franck Conrad, Head of Unit, Multiannual Financial Framework, DG BUDG, European Commission

- Mr Conrad explained that **EU funding had always been linked to conditions to ensure European added value but stressed that the future MFF should move away from punitive approaches towards a system based on positive incentives**.
- **The rationale** would be to **inform the programming process** in an operational and transparent manner; to ensure **predictability** and a **level playing field** among the Member States and regions; to **align with EU priorities** while taking into account **specific national and regional needs/challenges** across the individual Member States; and to foster the **consistency and complementarity of policy reforms and investments** across the Member States, regions and the EU, improving impact and efficiency.
- He referred to past experiences with adjustment programmes and highlighted the **RRF as a model for supporting reforms without creating a punitive framework of conditionality**. The proposed reference framework for the future NRPPs aimed to provide a more dynamic approach.
- Unlike a system that blocked funding, **the new approach was intended to support Member States in addressing structural challenges and implementing reforms**.
- Mr Conrad stressed that **the European Semester would form a central pillar of this reference framework, but that it alone would not cover the full scope of the NRPPs**. He explained that the framework would also need to incorporate other key EU policy priorities, including the Common Agricultural Policy (CAP), the rule-of-law reports, and Home Affairs priorities, particularly regarding migration.
- Future **NRPPs would need to align with other national strategic plans**, including the MTFSPs, the National Restoration Plans (NRPs), the NECPs and the national digital decade strategic roadmaps.
- Mr Conrad stressed the importance of **strengthening investments by ensuring greater coordination between Member States** and **contributing to the completion of the single market,** notably by designing measures with a cross-border, transnational or multi-country dimension, supporting important projects of common interest (IPCEIs), and implementing measures underpinning the Savings and Investments Union, especially via reforms.
- He argued that the new approach established at EU level would translate EU priorities to the national level and **increase the European added value of the EU budget by combining investment with incentivising reforms**.
- By financing reforms alongside existing investments, the EU budget could achieve a greater impact and contribute more effectively to competitiveness, resilience, and strategic EU objectives.
- **The governance of the future reference framework should be as inclusive as possible, involving not only the European Commission and the Member States, but also the European Parliament**

and other EU institutions. In this regard, the Commission supported a **steering mechanism to ensure democratic involvement and the effective shaping of EU priorities for the next funding cycle**.

Ludovic Voet, Confederal Secretary of ETUC

- Mr Voet said that the **experience of the RRF had demonstrated that social dialogue and the involvement of trade unions could not be treated as a procedural requirement but as an essential condition for effective economic governance**. In several Member States, **trade unions had been consulted too late or insufficiently**, after key political decisions had already been taken.
- **Successful implementation of reforms and investments required the involvement of those directly affected**, including workers, employers, regional and local authorities, and communities.
- **Genuine participation and dialogue** from the beginning of the process was **necessary to build ownership** and **democratic legitimacy**, particularly for major transformations such as industrial transition, decarbonisation, and digitalisation.
- Mr Voet supported the EESC proposal to **introduce qualitative and quantitative indicators to assess the effective involvement of the social partners throughout the European Semester** and the future MFF. **Participation should be measurable**, with assessments focusing not only on whether consultations took place, but also on whether they were **timely, meaningful, and influenced policy decisions**.
- He also **expressed concerns about the future treatment of social spending under the new MFF**, warning that reduced funding and a shift towards nationally determined priorities could create competing priorities among different interest groups and policy objectives.
- He stressed that linking reforms and CSRs to access funding could create problems, particularly when linking unrelated topics and policy areas.
- The **European Semester remained necessary to provide strategic direction and ensure that investments reflected common European priorities**. Still, he argued that it needed to move beyond being primarily an instrument of economic coordination.
- The social dimension of the Semester was still too often viewed through the lens of competitiveness, despite positive developments in the 2026 spring package, including giving greater attention to quality jobs, skills, labour shortages, investment in people, and social dialogue.
- He highlighted the importance of strengthening the Social Convergence Framework and ensuring a stronger link between the EPSR, the forthcoming Action Plan, the CSRs, and investment priorities under the future MFF. He called for a **more balanced approach that integrated economic and social objectives**.
- The future **MFF** should become a **strategic investment framework capable of addressing the EU's significant investment needs**, including not only competitiveness and innovation, but also healthcare, housing, education, workforce development, and wider social infrastructure. **Social investment should be considered part of Europe's long-term competitiveness strategy.**
- Finally, Mr Voet warned that an insufficiently funded EU budget would force competing priorities, such as decarbonisation, social objectives and defence, to compete for limited resources. He concluded that **the scale of the current challenges required adequate EU-level investment capacity and a budget capable of delivering on Europe's strategic ambitions**.

Lúcio Vinhas de Souza, Director of Economics Department and Chief Economist, BusinessEurope

- Mr Vinhas de Souza reflected on the evolution of the European Semester, explaining that it had originally been established as a framework for economic policy coordination following the introduction of Economic and Monetary Union and had subsequently evolved after the global financial crisis to address macroeconomic imbalances.

- He noted that its **link with EU funding** had only emerged with the creation of the RRF during the COVID-19 pandemic, **providing a framework for linking reforms with financial support**.
- Drawing on BusinessEurope's experience, he said that surveys among its member organisations had identified shortcomings in both the selection of the CSRs and the implementation of the NRRPs. Many respondents considered the **recommendations insufficiently targeted and regarded the implementation of the reforms to be inadequate**.
- The future link between the European Semester and the MFF should **build on the lessons learned from the RRF**.
- **Better targeting of reforms and investments was important for ensuring that funding addressed genuine national and regional priorities while strengthening competitiveness**.
- Additionally, he supported **stronger strategic alignment between the European Semester, cohesion policy, and the ESF+**, while stressing that the focus should be on priorities such as upskilling, reskilling, and labour market participation. **Resources should remain targeted** and should not be spread too broadly across unrelated policy objectives.
- **Competitiveness, including its social dimension, should guide the future EU budget**, but **given the limited size of the EU budget, decisions needed to be carefully prioritised and the use of resources targeted in order to maximise their impact**.
- Mr Vinhas de Souza underlined the **importance of involving the social partners, particularly representatives of the private sector, in the governance of the future framework**, arguing that they possessed valuable knowledge of investment needs and economic priorities.
- **The scale of Europe's investment gap could not be addressed through the EU budget alone**. He stressed that **mobilising private investment would be essential**, as well as an improved investment climate, deeper single market integration, and reforms to unlock funding from the private sector.
- He concluded by saying that the **EU budget should be seen not only as a source of funding but also as a strategic instrument to leverage substantially greater levels of private investment**.

The moderator, Luca Jahier, ESG vice-president, opened the floor for discussion. **Cinzia Del Rio, Kristina Krupavičienė, Judith Vorbach, Adelina Dabu** and **Philip von Brockdorff** from the ESG members, and **Beatriz Martín Nieto** and **Luís Pais Antunes** from the NESCs, took the floor, asked questions and made the following points/comments. The moderator also raised two questions from Slido:

- The policy focus had shifted from upward social convergence to social resilience, which was viewed as a different objective. The EU had introduced key social policy tools, such as the ESF+ and the EPSR Action Plan, as well as the Quality Jobs Act, which had set the objectives for the Member States. However, there was an inconsistent approach to social spending when it came to, on the one hand, the general objective of economic and social cohesion, and on the other, managing all of the various instruments.
- Social spending should not be limited to skills development. The Commission's agenda also included the poverty strategy, housing, and other social policies. Labour market policy was not just skills development.
- *How should progress be measured, particularly in relation to social reforms?* Reforms take time to show results. The European Court of Auditors emphasises measurable indicators but finding meaningful short- or medium-term indicators in the social field is challenging. For instance, the

impact of education investment may take a decade to manifest, highlighting the difficulty in assessing the success of long-term social policies.

- The significant competitiveness challenge was a concern that employers' organisations had consistently highlighted, while trade unions focused on social dialogue and minimum wages. Competitiveness should remain an integral part of the debate alongside social objectives. Defence spending is straining public finances and complicating the introduction of additional social measures. *How could fiscal discipline be reconciled with rising defence expenditure, social policy objectives, competitiveness and investment in skills, all of which were necessary to strengthen productivity and support long-term economic growth?*
- The discussion focused on social spending and it was mentioned that a strong ESF+ should be outside the NRRPs. The discussion should also cover the revenue aspect of the next MFF, emphasising the need for balanced and equitable new own resources since taxpayers funded the EU budget. Fairness should apply to all EU policy areas, including the design and implementation of the MFF, the NRPPs, and the future European Competitiveness Fund (ECF). *How would the social partners and civil society be involved in the NRPPs? How will the social partners be consulted during the drafting process, highlighting the urgency given the proposed reforms' implications across all policy areas?*
- There are many challenges to address but limited financial resources. *How do you see effective prioritisation? Given the many different policy objectives and governance levels, from European to national, and the many interconnections between them, how should priorities be set?*
- The recent report on EU governance by the Spanish Economic and Social Council had highlighted two key points:
  - The EU must enhance its decision-making process to address current political, economic, and social challenges effectively. Europe risks losing competitiveness and social cohesion, emphasising the need for tangible actions beyond mere political announcements.
  - There was a need for more efficient internal EU governance because the consensus requirement among the Member States slowed decision-making. Enhanced cooperation among willing Member States could advance key initiatives and maintain Europe's economic relevance, growth model, and social cohesion.
- The importance of data quality and transparency was mentioned, noting that unreliable data can compromise policy assessments. The need for timely, comparable, and transparent data to support reliable recommendations was emphasised.
- Additionally, regarding democratic legitimacy and ownership, it was argued that national parliaments and stakeholders, including civil society organisations and the social partners, were insufficiently involved in decision-making. Credible recommendations required broad participation and stronger legitimacy hinged on greater stakeholder involvement.
- *Have you carried out any analysis to understand why European companies are choosing to invest in the United States rather than in Europe?*
- *Should European funds only complement and support the actions of Member States in the social field?*
- *What solutions would the speakers suggest addressing concerns about the MFF introducing output-based rather than outcome-based financing, particularly regarding social objectives?*

Tony Murphy responded:

- He agreed that reforms took a long time to be measurable and to show impact. However, an instrument could not be deemed performance-based without relevant indicators. It would be too early to claim improvements before reforms had had enough time to produce measurable results. He also noted that even under the new proposal, about 25% of interventions still lacked result indicators, which would be necessary for a performance-based approach.

- Regarding the completion of the single market, he pointed out that about 60% of the obstacles identified in 2000 remained unresolved despite it being a key priority in European discussions. He stressed the need for concrete action rather than just discussion, linking it to the impact that this had on savings and investments.
- Additionally, concerns were raised about the proposed new own resources for the MFF, noting that about 22% of the budget was expected to come from these sources, yet many Member States opposed them. Mr Murphy pointed to the NextGenerationEU issue, where the own-resource proposal for repayment had never materialised, and said that the impact of this could currently be seen in the new EU budget, with around EUR 30 billion per year allocated to repaying NextGenerationEU.
- There was a need for a serious discussion on priorities and the financing required to achieve them, questioning how the EU could pay for what it cannot afford. The main challenge lay in implementing the necessary actions.
- Concerns were raised about equal treatment among the Member States, highlighting the fact that implementation often varied depending on individual Member States' negotiating capacities and relationships with the Commission.
- Mr Murphy also discussed the importance of flexibility in long-term plans amid changing circumstances, drawing parallels with the RRF.

Li Andersson addressed a few points:

- Regarding measuring progress in the social field, indicators needed to be designed carefully and to consider the specific nature of social policies. She referred to existing tools, such as the Social Scoreboard and the EPSR and its Action Plan, which included national targets for the Member States and provided mechanisms for monitoring and evaluating progress.
- She also emphasised the importance of democratic ownership, calling for the involvement of the social partners in preparing the NRPPs at national and regional level; she argued that this issue also concerned the European Semester.
- To strengthen democratic ownership, it was important for the European Parliament and national parliaments to play a greater role, having noted from experience that the preparation of the RRPs was primarily government-led, with limited input from national parliaments.
- She also emphasised the interconnectedness of competitiveness, defence, and social spending, particularly in Finland's security context with its long border with Russia. Social cohesion was vital for societal resilience against threats such as disinformation and external influence.
- Policy-makers at EU and national level were encouraged to avoid separating defence, competitiveness, and social objectives, as strong social policies contributed to both security and economic strength.
- Ms Andersson questioned whether the US model should serve as a benchmark for Europe, highlighting challenges such as lower social mobility and a higher share of low-productivity jobs. She advocated that Europe strengthen its own model and advantages.

Franck Conrad responded:

- He acknowledged that many considered the MFF to be insufficient in scale, but noted that the current budget already represented slightly more than 1% of EU Gross National Income (GNI). It was emphasised that for many Member States it remained the primary source of public investments and that the EU budget should not be regarded as a source for financing recurrent expenditures or social spending but rather as an investment budget.

- Mr Conrad underlined the MFF's strategic importance for Europe's long-term prosperity and economic development, emphasising the new own resources package aimed at limiting national contributions.
- He noted that the Commission proposal on the NRPP Regulation included legal safeguards with regard to Member States consulting the social partners, stating that plans would not be approved if these were not met. The partnership principle was expected to continue under the next MFF with a mandatory dimension.
- Regarding the debate on outputs and outcomes, he clarified that the Commission's approach was to disburse payments to Member States based on the achievement of outputs, and that it was never said that an output was a measurement of performance, intended to measure overall performance. This was the reason for having mandatory result indicators, which the Member States were required to report. These indicators would help to assess the added value of the EU budget and actual progress.
- He discussed three main areas of EU funding: cohesion policy, the Common Agricultural Policy, and the RRF. The imperfections in these funding areas posed the key question of whether to improve the current system or to maintain existing arrangements despite their shortcomings. Ultimately, the focus should be on using European funds to achieve maximum impact.

Lúcio Vinhas de Souza responded:

- Europe could not be considered an undertaxed continent, noting that companies already paid significant levels of taxation. He therefore stressed that discussions on financing the EU budget needed to remain consistent with the objective of improving European competitiveness.
- Mr Vinhas de Souza emphasised that subsidiarity should guide EU spending decisions, arguing that some actions were best handled at European level. In contrast, others should be left to the Member States.
- He also argued that the social partners' participation was valuable not only in relation to investment decisions but also more broadly throughout the policy-making process, considering their involvement both useful and necessary.
- Mr Vinhas de Souza highlighted the fact that businesses often favoured other global regions due to the complexity of the European investment environment.
- While acknowledging the EU's efforts to simplify regulation, he noted that these changes had yet to lead to significant practical improvements, and companies still faced similar challenges. He emphasised the need for actions to match the political rhetoric and for tangible implementation.

Ludovic Voet responded:

- It was important to ensure the full involvement of the social partners in the preparation and implementation of the NRPPs, as well as in the European Competitiveness Fund.
- Mr Voet emphasised that EU funding should prioritise projects with genuine European added value and strong multiplier effects, noting that social policies often yielded higher multiplier effects, as did infrastructure investments, in contrast to public expenditure, such as defence.
- He also mentioned that regarding competitiveness, there should be a real multiplier effect, arguing that public funding should not finance already profitable projects. He criticised the use of State aid without clear conditions or added value.

The ESG vice-president, **Gonçalo Lobo Xavier**, concluded the panel session and the conference:

- Mr Lobo Xavier said that although the participants had approached the issues from different perspectives, they had converged on a common principle: the need to move from discussion to action. The priority should now be to translate ideas into practical implementation.
- He also emphasised the importance of ensuring fair benefits from economic success, recognising the need for adequate financial resources, sound public finances and a strong social dimension. In closing, he added that all of the participants shared common goals: economic growth, competitiveness and a strong social dimension.

The full video recording of the 2026 annual European Semester Group conference, the presentations and the photos are available on the event webpage.

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