



Section for Economic and Monetary Union and Economic and Social Cohesion

ECO priorities for 2023 and beyond

Following the crises the EU has faced in recent years, the top priority for the ECO section and for the EU as a whole is to rebuild the EU economy in a more sustainable, more resilient and more inclusive way. The devastating economic and social effects of the COVID-19 pandemic and the hardships and challenges caused by the unjustified Russian aggression in Ukraine exposed vulnerabilities, exacerbated existing problems and revealed missing elements and blind spots in the EU's economic policies, while highlighting the importance of them being properly implemented. All policy areas within the remit of the ECO section – Economic and Monetary Union, the European Semester, financial markets, the EU budget, taxation and cohesion policy – are crucial to strengthening the EU economy, making it more prepared to face future crises and difficulties, and ensuring that it brings wellbeing and prosperity to all European citizens. For this, given its high relevance, strategic foresight has to be factored into the EU policymaking process more effectively.

Ongoing dialogue with European and national institutional partners and civil society stakeholders is crucial to achieve these aims. In his manifesto, the newly elected President of the EESC, Mr Röpke, underlined the importance of the EESC's role as a gateway between citizens, civil society and EU institutions and as a platform for honest and inclusive debate. Furthermore, this half term coincides with an important moment in European politics: the 2024 European Parliament elections and the start of the next European Commission's term of office. This change in the political leadership of the European Union will give the EESC and the ECO section a new opportunity to strengthen their existing interinstitutional ties, and to expand and deepen their relations with other institutions, such as the ECB, the IMF, the World Bank and OECD, and to make a valuable contribution to the EU's priority-setting.

1. Economic and Monetary Union

In 2020, the COVID-19 pandemic that hit Europe and the whole world triggered a sharp decline in output, huge difficulties for businesses and especially SMEs, a rapid increase in unemployment and job uncertainty, a rise in social and economic inequalities, a drastic fall in trade, investment and mobility, and a significant deterioration in public finance indicators. Then in 2022, the European economy was confronted with another crisis in the form of the economic and social impact of the Russian aggression in Ukraine and the sanctions introduced as a response to the war.

As a result of these challenges, Europe was faced with record inflation and low growth prospects that made it difficult to implement economic policies that simultaneously aim to reduce inflation and safeguard economic growth, employment and the sustainability of public finances in the medium and long term. The EESC and the ECO section continue to support the EU's "competitive sustainability" agenda, with its four dimensions – environmental sustainability, productivity, fairness and macroeconomic stability – as well as competitiveness placed on an equal footing in order to achieve the intended reinforcing effects and successful just green and digital transition, and to enhance the EU's strategic autonomy. During the next half term, it will be crucial that the ECO section puts forward recommendations that help policymakers develop policies for ensuring a sustainable and inclusive recovery and building a resilient EU economy, while tackling the green and digital transitions. To this end, the ECO section will continue to issue opinions twice a year on the **Recommendation on the euro area economic policy** and on the **Annual Sustainable Growth Survey**, to provide timely and up-to-date policy input into the process of (macro-)economic policy coordination within the annual European Semester cycle.

The EESC has advocated for a long time that an economic transition to economically, socially and environmentally sustainable growth is inevitable. The recent crises have underlined this; therefore, the ECO section will build on its previous work on beyond GDP indicators and explore issues related to the concept of "**beyond growth**".

To create a more resilient and sustainable future EU economy, robust budgetary and structural policy coordination must go hand in hand with effective economic and fiscal surveillance. At the same time, public finances must be able to address the financial needs stemming from new challenges, such as the green and digital transition, an aging population or the war in Ukraine. In this context, the ongoing **revision of the European economic governance framework** is a key element. The ECO section will continue its work not only by putting forward further recommendations on the basis of the legislative proposals expected from the European Commission, but also closely monitoring the implementation of the new framework. The ECO section will also continue contributing to the debate on the need for a permanent EU fiscal capacity. As has been noted in previous opinions, for the success of a reformed framework ownership is key and the involvement of organised civil society is crucial. The ECO section therefore has an important role to play in ensuring such involvement at EU level.

Finally, in recent years, a discussion was started on the introduction of a **digital euro**. The ECO section has been active on this topic since its inception and will continue to follow the development of the debate in the coming years, especially if the project advances from the investigation phase to the realisation phase. As financial and digital inclusiveness, ensuring financial stability and making the payment system more efficient and competitive are key in the project, the involvement of the EESC is crucial to ensure that due consideration is given to these concerns and to contribute to the public's understanding of the reason for the introduction and different features of the digital euro. Furthermore, this ongoing discussion on the digital euro puts in the forefront the importance of the strategic autonomy of the European macroeconomic and financial sectors, also underpinning the need for strengthening the international role of the euro.

2. **The European Semester**

The European Semester plays an important role in coordinating economic, employment, social and fiscal policies. Greater coordination was needed between Member States in the light of the economic and social repercussions of the pandemic in 2020 and the war in Ukraine. Therefore, in 2021, the Semester was adapted to take into account the creation of the Recovery and Resilience Facility (RRF). The implementation of national Recovery and Resilience Plans (RRPs) now drives the reform and investment agenda for the years ahead. With its broader scope and multilateral surveillance, the Semester usefully complements the implementation of the national RRFs, reconciling the need for, on the one hand, sound public finances, structural reforms and greater investments, and, on the other hand, respect for the European Pillar of Social Rights, the Sustainable Development Goals and the Green Deal.

The size of the sums involved and the updated orientation of the Semester exercise make this a significant and important task, which requires significant engagement from the ECO section and its **dedicated European Semester Group**. In particular, the Group called at the beginning of this term for a reform of the European Semester in order to strengthen its transparency and democracy, the involvement of organised civil society and the effectiveness of its operation, and stated that existing systems of indicators must be reviewed, complemented and made consistent with each other, thus helping to improve evaluation procedures.

During this term, the outcomes of the discussions of the Group will feed in particular into our opinions drawn up regularly within the European Semester cycle, notably on the **Annual Sustainable Growth Strategy**. To this end, the ECO section's European Semester Group intends to continue its important work to collect, channel and promote policy views from national civil society organisations through the organisation of regular **national country visits and discussion forums**.

3. **European financial markets**

The ECO section sees as a priority the efficient functioning of financial markets, essential for the transition to a climate-neutral and increasingly digital economy that is characterised by sustainable and inclusive economic growth. It is therefore imperative to take further steps to **develop an efficient and integrated Capital Markets Union** and a **fully-fledged Banking Union**, including all Member States, to further harmonisation and the removal of cross-border obstacles while safeguarding sound regulation and surveillance, with a view to preserving financial stability, protecting consumers, investors, and savers, and achieving a sound single market.

The completion of the **Capital Markets Union** is key to mobilising the resources necessary to invest in the green and digital transformations, as well as for the strategic autonomy of the EU. The ECO section will closely monitor further implementation of the **2020 Capital Markets Union Action Plan**, and will continue to follow up on the ongoing work of the co-legislators in the proposals stemming from it. This will include liaising with the INT section in order to collaborate on the retail investment and open finance strategies. The proposals contained in the Action Plan are of special relevance in order to improve SMEs' access to capital markets, improve their financial position and support investment, increasing their competitiveness and resilience. Taxation of financial products and current differences between Member States will also need to be addressed in this context. The **Banking Union**

is essential for a genuine Economic and Monetary Union, and its completion would increase the financial stability and resilience of the EU economy. In this regard, we will continue to work on the review of the **bank crisis management and deposit insurance scheme (CMDI) framework**, and monitor the next steps that aim to create a **European Deposit and Insurance Scheme (EDIS)**, which the European Commission plans to reassess once the reviewed CMDI framework is in place.

In the field of **sustainable finance** and with the aim of further redirecting investment flows, the EESC will contribute with its policy proposals regarding the operations of Environmental, Social and Governance (ESG) ratings providers and how credit rating agencies (CRAs) incorporate ESG risks in their creditworthiness assessment. The EESC will also contribute to further initiatives that might be tabled as follow-up to the sustainable finance action plan.

With a focus on water-related investment needs, the ECO section will contribute to the 2023 workstream in the EESC for an "EU Blue Deal" which highlights the importance of water in all policy areas and the need to propose strategies, policy design and coordinated actions to anticipate challenges and preserve and adequately manage this precious resource.

The ECO section will work on how to **improve assessment and evaluation** of EU policies affecting financial markets, in order to explore how EU authorities can effectively ensure their proper functioning and performance through their regulatory and supervisory work, as well as to clarify the role of the financial sector in the EU's strategic autonomy.

4. **Taxation**

The COVID-19 pandemic and the consequent huge global leap to digitalisation has put the issue of **taxation of teleworkers and their employers** right at the centre of the public debate in the EU and beyond. The Committee has expressed the view that the EU must help the Member States in this area and will work towards finding a global solution in order to better harness the benefits of globalisation, with proper global governance and global rules. Both the OECD and the UN Committee of Experts on International Cooperation in Tax Matters are working on finding a globally acceptable solution. The ECO section is monitoring the global efforts and contributes to the analysis and debate on whether an envisaged international agreement is reached or not.

The ECO section will continue its successful cooperation with **the UN Committee of Experts on International Cooperation in Tax Matters** on the **taxation of nomad workers**. The section considers that the taxation systems need to be updated further to respond to the needs of today's work environment. This concerns in particular the taxation of wages and the taxation of company profits; the new rules should be easy to implement for both employees and employers. It is of the utmost importance for advancing the global dialogue that civil society plays an active role in this crucial international debate.

The ECO section will continue to work in support of a European tax system that is fair and conducive to competitiveness. In particular, the ECO section will address **reforms of the corporate tax framework** in order to combat abuses and tax fraud, ensure sustainable revenues and help boost businesses in the internal market. Specific attention will be paid to the initiatives of the European Commission regarding the **revision of the Tobacco Taxation Directive**.

The ECO section will continue to work on the **EU VAT reform** with a view to advancing towards a definitive VAT regime. The ECO section will support the INT section in preparing the EESC work on matters related to the Customs union by looking into the ensuing economic and taxation issues.

5. **EU Budget and own resources**

The EESC has repeatedly called for the Multiannual Financial Framework (MFF) to be geared to jobs, growth and competitiveness, and has called for a strong EU budget endowed with commensurate financial resources to achieve the Union's objectives.

The **mid-term review of the Multiannual Financial Framework** and the proposals for a second set of **new own resources** will in 2023 give further impetus to aligning the financing of the EU budget with the EU's policy priorities. The EESC will continue to actively feed into the legislative process, and, with an exploratory opinion at the request of the European Commission, will contribute with policy proposals for a second set of new own resources ahead of the mid-term review.

The new interest rate environment will also bring challenges in terms of financing costs for the raising and repayment of common debt under NextGenerationEU.

A cooperation with the Court of Auditors in relation to its task to check that EU funds are correctly raised, spent, value for money and accounted for should be envisaged. Performance based budgeting – notably in the context of the Recovery and Resilience Facility (RRF) and the Structural Funds – needs to be stepped up, as well as strengthening accountability mechanisms, transparency and promoting citizens' participation in budgetary processes. The EESC could also contribute to the discussion about further conditionalities linked to EU funds and grants, following the example of the one already established for the rule of law.

6. **Cohesion and urban policy**

Cohesion policy remains one of the fundamental pillars for bringing the EU closer to its citizens and for reducing disparities among EU regions and inequalities among people. Cohesion policy must continue to play a key role in ensuring a balanced recovery from the continuous and unprecedented shocks, fostering convergence and making sure no person or region is left behind. In particular, special attention should be given to regions with specific territorial characteristics, such as the outermost regions, mountain areas and EU islands.

The ECO section will look closely at how cohesion policy addresses the widening of regional disparities after the COVID-19 crisis and the war in Ukraine and helps to tackle social and economic issues. Cohesion policy has shown, and will continue to demonstrate, its added value by bringing together EU Member States, regions and cities to protect the people, reduce social - including income and demographic - disparities, save jobs and preserve local economies. The ECO section plans to contribute to the discussions on the **future of cohesion policy after 2027**, helping to ensure that cohesion keeps its long-term development objectives and that civil society is a key player in the design and implementation. Furthermore, during this work, the ECO section will also explore the role that

cohesion policy could play in fostering the capacity of the EU to help its partners and ensuring the smoothness of possible future enlargements.

Territorial and urban issues also matter and our regions and cities are highly interdependent on external factors and turbulences like the war in Ukraine and high inflation. Territorial cohesion and the urban agenda must play an important role in the recovery process. Territorial development policies and cooperation on joint objectives are essential to increase the resilience of municipalities, regions and local areas, and strengthen their recovery processes. In this context, the ECO section will follow up on proposals made on the **Urban and Territorial Agenda 2030**.

The **Macro-regional strategies** (MRS) have been directly and indirectly affected by the COVID-19 crisis and the war in Ukraine. The structural changes and the shocks affect the content of all four MRS, highlighting once again the significance of cross-regional/cross-border cohesion and collaboration in Europe itself. The role of organised civil society will be crucial to fulfil the core objectives of MRS and boost territorial and cross-border cooperation.
