



Council of the
European Union

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ECOFIN 11
UEM 5
SOC 5
EMPL 4
COMPET 1
ENV 3
EDUC 2
RECH 4
ENER 2
JAI 8
GENDER 1
ANTIDISCRIM 1

NOTE

From: General Secretariat of the Council
To: Delegations

Subject: 2022 European Semester: The Annual Sustainable Growth Survey 2022
– Draft Council Conclusions

Delegations will find attached the draft Council conclusions on the Annual Sustainable Growth Survey 2022, as prepared by the Economic and Financial Committee on 10–11 January 2022.

2022 EUROPEAN SEMESTER:
THE ANNUAL SUSTAINABLE GROWTH SURVEY 2022

– Draft ECOFIN Council Conclusions –

The Council (ECOFIN):

1. EMPHASISES that the coordinated EU efforts in tackling the effects of the COVID-19 pandemic, both at national and at EU level, have laid the ground for a sustained recovery. HIGHLIGHTS the risks related to the continued high uncertainty regarding the pandemic evolution, and the recent sharp spike in energy prices in the EU and supply bottlenecks affecting production.
2. BROADLY WELCOMES the economic priorities put forward in the Annual Sustainable Growth Survey 2022, including the continued focus on competitive sustainability in line with the European Green Deal. AGREES that the four mutually reinforcing dimensions – environmental sustainability, productivity, fairness and macroeconomic stability – remain equally valid for achieving the EU goal of shifting towards a sustainable, resilient and inclusive economic model.
3. UNDERLINES that macroeconomic stability combined with investments and reforms remains key for the functioning of the Economic and Monetary Union and the EU economy as a whole. WELCOMES the highlighting of the economic impact of environmental degradation and climate change and corresponding investment and reform needs. EMPHASISES the complementary role of fiscal and structural economic policies in reducing macroeconomic vulnerabilities and in providing favourable conditions for sustained economic growth. AGREES that deepening the Capital Markets Union and completing the Banking Union would strengthen the funding channels to the economy, promote the private sector's contribution to the considerable investment needs and increase economic and social resilience.

4. CONSIDERS that, taking into account the strength of the recovery and reflecting the degree of uncertainty, Member States should stay agile in their fiscal policy response in order to be able to react to the evolution of the pandemic. INVITES Member States, when gradually moving from generalized fiscal support to more targeted policy measures, to regularly review the use, effectiveness and adequacy of the support measures and stand ready to adapt them as necessary to changing circumstances, while safeguarding fiscal sustainability in the medium term.
5. AGREES that Member States with low or medium debt should pursue a supportive fiscal stance in 2022; Member States with high debt should use the Recovery and Resilience Facility to finance additional investment in support of the recovery and the twin transition, while pursuing a prudent fiscal policy. RECALLS the importance of enhancing investment while bearing in mind the need to reduce divergences and of ensuring growth-friendly composition of public finances as well as robust fiscal frameworks, which will help support the EU's growth trajectory going forward and facilitate the green and digital transition of our economies.
6. ACKNOWLEDGES the expected deactivation of the general escape clause of the Stability and Growth Pact as of 2023. LOOKS FORWARD to a timely discussion on the fiscal guidance that the Commission will submit for the period ahead with the purpose of facilitating the coordination of fiscal policies and which will reflect the global economic situation and the specific situation of each Member State as well as the discussions on the economic governance framework.
7. CALLS for a well-aligned mix of reforms and private and public investments that underpins competitiveness and job creation, aimed at increasing employment, productivity, innovation and supporting the twin transitions. AGREES that a well-functioning Single Market, where fair and effective competition is ensured, is in itself a major source of productivity for the EU economy.

8. STRESSES the continued importance of the swift uptake and broader diffusion of digital and green technologies for the sustainable recovery and for making Europe a transformational leader. AGREES that improvements in energy efficiency and continued investment in the green transition are key to ensure affordable energy prices in the future.
9. UNDERLINES that fairness and inclusivity needs to be at the heart of both the recovery from the pandemic-induced downturn and the twin transitions. EMPHASISES that the industrial transition and increased investment in technology need to be complemented by investing in people and skills, in particular digital skills.
10. ACKNOWLEDGES the potential of the Recovery and Resilience Facility to contribute to the economic recovery and enhancing strong and sustainable EU growth, as well as its role in delivering a resilient, green and digital EU economy. CALLS for timely, full and effective implementation of recovery and resilience plans, which address a broad range of economic challenges identified over the past years. UNDERLINES the need for continued comprehensive EU economic policy surveillance, including close monitoring of emerging risks.
11. WELCOMES that the European Semester resumes its broad economic, fiscal and employment policy coordination in 2022, including the publication of streamlined country reports and the adoption of country-specific recommendations. ACKNOWLEDGES the need of the temporary adapting the European Semester to the implementation of the Recovery and Resilience Facility and CALLS for ensuring synergies and streamlined reporting requirements under the two processes, including specifying the role of national reform programmes.
12. CALLS for keeping the European Semester focused on economic, fiscal and employment policies as the Commission continues the integration of the relevant United Nations' sustainable development goals in the European Semester. WELCOMES the continued application of the Macroeconomic Imbalance Procedure, addressing the pre-existing macroeconomic imbalances, which have been amplified by the COVID-19 pandemic or newly emerged.

13. UNDERLINES the importance of multilateral surveillance and close policy coordination and RECOGNISES the importance of a transparent dialogue between the Commission and Member States in all stages of the European Semester and the Recovery and Resilience Facility.
 14. CONTINUES thorough discussions on the EU economic governance review, including the Stability and Growth Pact and the Macroeconomic Imbalance Procedure. NOTES the intention of the Commission to provide orientations on possible changes to the economic governance framework. ACKNOWLEDGES the need to build a broad-based consensus, as the effective functioning of the surveillance framework is the collective responsibility of all Member States, EU institutions and key stakeholders.
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