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#### COVER NOTE

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From:	General Secretariat of the Council
To:	Delegations
Subject:	Joint EFC-EPC opinion on the mid-term review of the Europe 2020 strategy and its implementation through the European Semester

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Delegations will find attached the joint EFC-EPC opinion on the mid-term review of the Europe 2020 strategy and its implementation through the European Semester.



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**Joint EFC-EPC opinion on the mid-term review of the Europe 2020 strategy and its implementation through the European Semester**

1. The Economic and Financial Committee and the Economic Policy Committee have discussed the mid-term review of the Europe 2020 strategy and have identified a number of proposals to improve upon the strategy implementation and the timely and effective delivery of reforms. The views expressed by the Committees could help the Commission take stock of the strategy in preparing its proposals for the mid-term review of the 2020 strategy in early 2015. The suggestions relate to the focus of the strategy, targets, instruments and governance.
2. The Europe 2020 strategy was launched in 2010 as the EU's strategy for promoting smart, sustainable and inclusive growth in a partnership between the EU and its Member States. It sets out five headline targets in the areas of employment, research and development, climate and energy, education and the fight against poverty and social exclusion. The targets are accompanied by seven Commission flagship initiatives, intended to catalyse EU level progress to boost growth and jobs. The strategy is implemented and monitored in the context of the European semester, the annual cycle of coordination of economic and budgetary policies at EU level. The governance framework was substantially strengthened over the last few years, including a new set of enhanced fiscal rules and the macroeconomic imbalance procedure.
3. The Europe 2020 Strategy has been a clear improvement in comparison with the previous Lisbon Strategy. Although the progress has so far been mixed, it has yielded some significant achievements over the last years that should not be underestimated. While attention to short term actions to address the crisis has had priority, the Europe 2020 strategy has helped not to lose sight of the long-term growth agenda and kept the focus on structural reforms.

**Overall focus on structural reforms**

4. The Europe 2020 strategy is the response to structural weaknesses underlying low growth and productivity. It also reflects EU challenges related to global competition, ageing and the long-term sustainability of public finances, unemployment, poverty, greenhouse gas emissions and the promotion of a more efficient use of resources. The economic crisis has aggravated some of these problems, including low productivity growth, a reduction in economic growth potential and a surge in the long-term and youth unemployment that has caused social distress.

5. The Committees consider that Europe 2020 continues to be an important framework to address the challenges faced by the EU, many of which have become more prominent in the wake of the crisis. The focus of the strategy should therefore be on the swift and coordinated implementation of ambitious structural reform agendas aimed at increasing economic growth and employment in the short-term as well as structurally improving the sustainable growth potential over the long run. The strategy plays a key role in this respect, clearly identifying the long-term challenges, thereby helping to focus on the main areas for reform and action and the interrelations between them.

6. At the current juncture, continuity for the delivery of the necessary reforms is of the utmost importance. In the Committees' view, a complete overhaul of the strategy would therefore not seem warranted, also in view of the longer term nature of structural policies. At the same time, the overarching urgency of structural reforms in the area of labour and product markets as well as overall business conditions could be stressed more, acknowledging that challenges diverge between Member States, requiring the strategy to appropriately cater for these differences without diluting its focus.

## **Targets**

7. The Committees consider that the existing targets are still relevant as they encompass the main drivers for growth and jobs. They also provide useful political focus, covering key challenges the EU is currently facing. While progress on the different targets appears mixed, the targets on climate and energy and education still look broadly achievable by 2020. Despite the likely difficulties in reaching all targets by 2020, the level of ambition in the current targets should be upheld. Additional headline targets are not required to deliver the Europe 2020 objectives more effectively and could even create a risk of losing focus, producing conflicting priorities and overloading the policy agenda. Indicators evaluating the strategy's success at meeting specific targets should be simple, comparable and most importantly result oriented. Furthermore, the evaluation needs to take into consideration the possible time lag between the implementation of reform and observance of results.

8. The targets constitute shared long-term objectives. National targets should be consistent with the EU headline targets in order to strengthen their credibility. To that end, more needs to be done at the national level.

## **Instruments and governance**

9. While the responsibility for structural reforms lies primarily with Member States, the success of the Europe 2020 strategy hinges upon an effective governance framework. In the near term, while no new processes or instruments are required for a more effective delivery of the strategy, a full and consistent implementation existing instruments at the European level could help Member States achieve the necessary structural reforms.

10. Significant progress has been made in this respect, but the Single Market is an area that could benefit from an improved integration and monitoring in the strategy both at national and EU level. The Single Market is a key instrument to create growth and jobs and ranks high among policies with the greatest potential. More emphasis could also be placed on the significant value added generated from simultaneous reforms, i.e. positive and mutually reinforcing spillovers. Specific attention in this respect should be paid to further market opening and integration in services and network industries including energy (also noting the conclusions of the 23/24 October 2014 European Council) as well as the promotion of a digital single market.

11. While the flagship initiatives broadly represent the most important areas for supporting jobs and growth, there is room for improving focus on key priorities, enhancing efficiency and effectiveness and ensuring clear additional added value. Flagships should be better aligned with the overall objectives and instruments of the strategy, with a clearer division of responsibilities and enhanced monitoring involvement of stakeholders in the action programmes.

12. Given the overarching nature of the Strategy and its objectives and its clear interdependence with other economic policy objectives, the Committees considers that the central role played by the ECOFIN and EPSCO Council formations in the implementation of the Strategy should be maintained. Other Council formations have an important role to play with regard to specific sectorial aspects and the implementation of the flagship initiatives.

13. The Committees consider that the strategy should be fully integrated within the European Semester and integrated recommendations should continue to be key for the delivery of actual progress towards the headline targets in the Strategy. Moreover, procedures should be streamlined to make sure the focus remains on substance rather than procedures. Greater accountability of Member States through strengthened peer pressure, sharing of best practices and benchmarking of policies in the area of structural reforms could be considered within the existing processes. In this way the monitoring of the implementation of reforms should be reinforced at national and European level.

### **European Semester**

14. The European Semester is a valuable instrument for engaging Member States in the coordination of key structural reforms and an effective tool to implement the Europe 2020 strategy. The coordination and monitoring aspects of the Semester could be made more prominent, within the strengthened economic governance framework, while at the same time streamlining reporting and procedures.

15. To support national ownership and to better reflect the multilateral nature of the surveillance exercise, a broader discussion on the key horizontal policy issues should be considered. Further reflection is desirable on ways to prepare a broader policy discussion at national and EU level, which would reflect the integrated nature of the European semester. To this end, it could already be considered to start the preparatory discussions on several well-targeted horizontal themes well in advance, building on the work which is already done. Policy discussions, and possibly even implementation, could also benefit if there were horizontal discussions on groups of countries that share similar reform needs, including through the use of thematic reviews. More generally, ownership and peer pressure would benefit from a European Semester timetable allowing more time for the analysis, dialogue with Member States and monitoring implementation of CSRs.

16. Over the past years, the Country Specific Recommendations have become more specific, concentrating broadly on the most relevant issues and identifying appropriate policy response. At the same time, the coverage of the CSRs in terms of policy areas has broadened over time, leading to the risk of losing focus. The coverage should continue to reflect major policy economic challenges for Member States and to this end, the CSRs should be subject to more explicit prioritisation. Depending on the urgency of the challenges, the formulation of CSRs could leave Member States room for detailed policy responses with a view to increase ownership. A limitation to the number of recommendations would support political discussions within Member States.

17. As regards the governance structure it is recognised that more focused attention to monitoring and follow up on implementation of reforms is needed. In light of this, a more structured follow-up of the recommendations throughout the year would be beneficial. Discussions on the follow-up of the CSRs with regard to policy actions undertaken and the progress achieved should be organised by the Council at least once a year. Such discussions could provide further input to new or updated CSRs.

18. The current EU framework for structural surveillance based on the EU semester is rooted in analysis presented in Staff Working Documents (SWDs), and assessment is carried out on a regular basis within a well-defined time frame. In this regard, the Commission's SWDs should be published in advance of the draft CSRs so as to give Member States the opportunity to discuss the SWDs bilaterally as well as at committee levels. The current framework for the European semester is often perceived as still lacking sufficient implementation as well as transparency on the identification of country challenges and policy priorities. Benchmarking country performance could help in both respects. It could build on the extensive experience acquired through the Lisbon methodology Assessment Framework and the instruments and practice put in place in the new governance framework. While making full use of existing governance instruments, improving the implementation of CSRs and structural reforms remains an issue for consideration.

19. The division of responsibilities between the various Council formations, in particular ECOFIN and EPSCO, has been well structured and efficient. The clear agreements on the attribution of responsibilities between Council formations and preparatory committees and their consistent implementation ensured a smooth and efficient process. In general, the current arrangements between the different Council formations and their preparatory committees can be considered appropriate and no institutional innovation would be required in this respect.

20. The Committees also agreed on the importance of strengthening the ownership of the process, including of the recommendations in the European Semester, in order to maintain the reform momentum across the EU. To this end, a greater effort could be made both at national and European level to engage in a structured dialogue with national parliaments and social partners. This could foster the domestic policy debate on the CSRs and internalise them in the national reform policy agenda, facilitating their implementation.