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LIMITE

**CO EUR-PREP 33
POLGEN 90
AG 21
ECOFIN 347
UEM 204
SOC 405
COMPET 193
RECH 220
ENER 188
TRANS 153
MI 199
IND 81
EDUC 109
ENV 394**

NOTE

from: The Presidency and the Commission
to: COREPER / General Affairs Council

Subject: New European strategy for jobs and growth
- progress of work

The report attached, prepared by the Presidency and the Commission, provides an overview of work undertaken since the Spring European Council with a view to finalising the formal launch of the Europe 2020 strategy at the June European Council.

EU headline targets

1. Five EU headline targets for the Europe 2020 strategy – employment rate, R&D investment, climate change, renewable energy and energy efficiency, education and social inclusion/fight against poverty- were agreed at the 2010 Spring European Council.
2. The Spring European Council asked for further work on the quantification of the headline targets for education and for the promotion of social inclusion in particular through the reduction of poverty, so that they could be agreed at the June European Council. Preparatory work took place to define these targets in the Social Protection Committee and in the Council at working group and ministerial levels. The June European Council will be invited to endorse these EU targets as follows:
 - Education target: school drop-out rate should be less than 10% and the share of population aged 30 - 34 having completed tertiary or equivalent education should be at least 40% by 2020.
 - Target for the promotion of social inclusion in particular through the reduction of poverty: it should be formulated in such a way that it would aim at lifting at least 20 million people from the risk of poverty and exclusion by 2020. The overall number of people that are at risk of poverty or excluded should be measured on the basis of three indicators reflecting different dimensions of poverty and exclusion: the at-risk-of-poverty rate, the material deprivation rate and the share of people living in jobless households.

National targets

3. In parallel, work has been conducted on translating all EU headline targets into national targets. A series of bilateral dialogues organised by the Presidency and the Commission with each Member State took place in the first half of May to discuss with Member States how they intend to translate these targets and identify national specificities:

- These meetings enabled Member States to express their views both on the EU-level targets that remain to be set and give preliminary indications, often in the form of ranges, on their national targets.
 - The meetings also enabled Member States to point to specific national situations influencing the national target-setting.
 - Some Member States also indicated that their commitment to national targets can for the moment only be regarded as provisional, due to government changes or forthcoming national elections.
 - Others pointed out that they were still consulting national parliaments and/or stakeholders to ensure ownership.
 - Several Member States also suggested a mid-term review for all targets.
4. Discussions on different headline targets took place in several Council formations, in particular Competitiveness, TTE, EYC, and EPSCO.
5. Work on the national targets is still in progress and will only be turned into definitive commitments by Member States in their National Reform Programmes in autumn 2010. It should be recalled that setting the national target is not a burden-sharing exercise among Member States. On the basis of the first indications they have provided, Member States will, in a dialogue with the Commission to be continued after the June European Council, start drafting their National Reform Programs which will contain their final national targets.

Employment

6. All Member States are working towards national employment rate targets. Several are also considering underpinning their aggregate target with sub-targets by gender and for specific age groups. However, not all Member States have yet indicated concrete national employment rate targets and others have provided only preliminary values. During the EPSCO Council's policy debate on the Europe 2020 Strategy, several delegations referred to the employment headline target and to their national employment targets, stressing that the 75% employment rate for women and men was an ambitious one. Overall, however, provisional estimates show that the EU headline employment rate target of 75% could be met.

R&D

7. The target was discussed by the Competitiveness Council on 26 May 2010. The 3% target, based on the combination of public and private investment, was confirmed as relevant and important, but the importance of the Commission's intention to present an output indicator on innovation was also underlined.
8. All Member States are making efforts on their national targeting but call for consistency at all levels (regional, national and EU) in order to achieve the objectives. Several Member States supported a mid-term review to take place by 2015 to review the targets and objectives in light of economic developments. Moreover, the importance of understanding innovation more broadly than just based on research was highlighted (social and services innovation). The role of education was also considered important, in particular an approach bringing forth a culture of innovation throughout the education system. The attractiveness of a research career in Europe (both for EU citizens and for researchers from third countries) was considered essential in this context.
9. The Commission is developing an output-oriented indicator on innovation, with the help of a panel of experts. In addition, the Commission has also undertaken work to ensure that the indicator which may be retained is internationally comparable. The Commission intends to present the results of its work on the innovation indicator in its flagship "Innovation Union", scheduled for September.

Climate action, Renewable energy, Energy efficiency.

10. Discussions were organised on how to move towards the indicative EU targets of improving energy efficiency by 20% by 2020. This work confirmed the indicative nature of this target, which unlike the targets on climate action and renewable energy, is not subject to burden-sharing. It was clarified that energy efficiency has to be understood as meaning energy savings. In the light of this target, each Member State should establish its own pathway according to its specific national circumstances.

11. At the TTE Council (Energy) on 31st May, Ministers held an exchange of views on the issue of energy efficiency. Ministers considered that an indicative national target - or targets - for energy savings could be established and measured by Member States, using their preferred methodology. There is a broad support for the Commission's objective of gathering accurate information on such national targets and their fulfilment ("mapping exercise") in order to obtain a clear picture of the *current* state of attainment of the 20% indicative target for energy savings by 2020. At the same time, it was underlined that differing national situations and starting points must be taken into account, that targets for energy savings should be realistic and not act as a brake on economic growth, and that there should be no increase in administrative burden as a result of this exercise.
12. The Commission announced that before 2011 it will present its Energy Efficiency Strategy, which will include a methodology for the calculation of energy savings, and a definition of what constitutes energy savings.

Education

13. At the meeting of the Education, Youth and Culture Council on 10 and 11 May 2010, Education ministers effectively reached a broad agreement on the numerical rates for the two education-related EU headline targets. By 2020, the school drop-out rate should be less than 10% and the share of population aged 30-34 having completed tertiary or equivalent education should be at least 40%. It was agreed to recommend these rates to the European Council.
14. It should be noted that a considerable number of Member States, whilst agreeing to these numerical targets, nevertheless emphasised the crucial importance of quality and not only quantity in the provision of education. At this stage one delegation still maintains a scrutiny reservation on the targets.

Social Inclusion/Poverty

15. During discussions many Member States supported broadening the target beyond the at-risk-of poverty rate indicator proposed by the Commission in order to accommodate differences in national approaches to social inclusion and to tackle poverty.

16. In the light of the contribution by the Social Protection Committee and the debate on the basis of a Presidency's note, the EPSCO Council on 7/8 June reached a consensus on the following objectives:
 - The target for the promotion of social inclusion in particular through the reduction of poverty: should be formulated in such a way that it would aim at lifting at least 20 million people from the risk of poverty and exclusion by 2020. The overall number of people that are at risk of poverty and exclusion should be measured on the basis of three indicators reflecting different dimensions of poverty and exclusion: the at-risk-of-poverty rate, the material deprivation rate and the share of people living in jobless households.

 - In the fight against poverty and exclusion, it is necessary to boost inclusion in the labour market as well as in society. During the process of implementation of the EU 2020 Strategy, there will be scope for strengthening the current instruments for measuring progress in the reduction of poverty and deprivation and for understanding the phenomenon of exclusion from the labour market. The relationships between labour market exclusion and the situation of poverty at individual level will have to be better taken into account.

 - The Member States will be free to set their national targets on the basis of the most appropriate indicators taking into account their national circumstances and priorities. In this process, they will take into consideration that their national targets should contribute to the achievement of the target at EU level.

- The EU headline target should be reviewed in 2015. This mid-term review would also include the indicators, while fully respecting Member States' role. It could further allow taking into account economic developments and improved measurement instruments.

Integrated guidelines

17. The Commission issued its proposal for integrated guidelines on 27 April in two interlinked Treaty-based instruments: the Broad Economic Policy Guidelines provided by art.121 and the Employment Guidelines provided by art.148. The proposal was considered in the Council involving different Committees and Working Group to ensure that the horizontal nature of the integrated guidelines is properly taken into account. The ECOFIN Council of 8 June approved its report on the Broad Economic Policy Guidelines. The EPSCO Council of 7/8 June agreed on the general approach of the Employment Guidelines. A number of amendments have been incorporated in both sets of guidelines on the basis of which a consolidated version of the Integrated Guidelines can be endorsed by the June European Council; it will then be formally adopted by the Council later this year once the opinions of the European Parliament, the Committee of the Regions and the Economic and Social Committee on the Employment Guidelines have been received.
18. The Integrated Guidelines will serve as the basis for issuing the country specific recommendations and are therefore of particular relevance for strengthening EU economic policy coordination, and, in the field of employment, for issuing recommendations on the employment policies of the Member States.

Bottlenecks

19. The Economic Policy Committee (EPC) and the Economic and Financial Committee (EFC) have conducted an exercise to identify possible macro-structural bottlenecks at Member State level. The ECOFIN has endorsed the EPC/EFC report and Member States are invited to take this work into account when identifying bottlenecks in the context of the preparation of their National Reform Programmes in autumn 2010. The Employment Committee (EMCO) defined labour market bottlenecks as institutional organisational barriers to smooth functioning of Member States' labour markets with negative effects on employment growth and labour market performance. The Committee will identify the main employment bottlenecks at the EU level and assist Member States to identify bottlenecks at national level.
20. The bottlenecks should be identified by Member States as the obstacles preventing them from reaching their targets. Addressing them will require policies to unlock growth drivers with an impact at macroeconomic level, such as labour and product market policies, as well as innovation, R&D, infrastructure need, climate change and education policies.

The 7 flagship initiatives

21. The Commission issued its proposal on the first flagship initiative, the Digital Agenda, on 19 May and the TTE Council of 31 May endorsed the establishment of an ambitious action agenda in this field, creating a fully functioning digital Single Market and strengthening Europe's competitive position in this important sector through reinforcing efforts on ICT Research and Development and Innovation and boosting the knowledge triangle.
22. The other flagships will follow before the end of the year. The Innovation Union flagship initiative will be proposed in the autumn and will also serve as an input for the October European Council. The other flagships which will be presented this year are set out in the Commission's 2010 Work Programme, as follows: Youth on the Move and Youth Employment, An Agenda for New skills and jobs, Platform against poverty, Industrial Policy Flagship, and Resource efficient Europe.

23. On 10/11 May the Education, Youth and Culture Council exchanged views on developing the youth dimension of the Europe 2020 strategy, with a view to forthcoming Youth on the move flagship initiative. On 1/2 March the Competitiveness Council discussed the key objectives for establishing the principles for a new ambitious industrial policy, with a view to the forthcoming Industrial Policy flagship. On 25 May, the Competitiveness Council exchanged views on Mr. Monti's report on the Single Market. The Commission will make proposals building on this important report in the coming months.

Implementation

24. Implementation of the Europe 2020 strategy will start immediately after the June European Council. The Commission intends to outline as soon as possible the next steps in implementing the Europe 2020 strategy. It is already possible to foresee the preparation of the key inputs for the National Reform Programmes in the autumn, which should be prepared in a dialogue with the Commission. The Commission will provide information in a forthcoming communication.