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NOTE

From: Presidency

To: Permanent Representatives Committee/Council

Subject: Preparation of the Competitiveness Council of 30 November and 1 December 2015

Recommendation by the Commission for a Council Recommendation on the Establishment of National Competitiveness Boards within the Euro-area

- *Presentation by the Commission*
- *Exchange of views*

Delegations will find attached a Presidency background paper on the Recommendation by the Commission for a Council Recommendation on the Establishment of National Competitiveness Boards within the Euro-area.

Commission Recommendation on the Establishment of National Competitiveness Boards

Presidency Background Paper

Context

On 21 October 2015, the Commission adopted a package of measures to further strengthen and deepen the Economic and Monetary Union (EMU), one of the ten main priorities of the Commission.

The package follows up on the Five Presidents' Report¹, published in June 2015, in which the five Presidents – Commission President **Jean-Claude Juncker**, together with the President of the European Council, **Donald Tusk**, the President of the Eurogroup, **Jeroen Dijsselbloem**, the President of the European Central Bank, **Mario Draghi**, and the President of the European Parliament, **Martin Schulz** – set out plans as to how to deepen the Economic and Monetary Union and how to complete it by 2025 at the latest.

The EMU package includes a Commission recommendation on the establishment of National Competitiveness Boards², in which the Commission invites the Member States to set up independent bodies – the Competitiveness Boards – that would be tasked to track how wages, prices, productivity, innovation and other competitiveness factors evolve within the Member States.

The Competitiveness Boards are also meant to contribute to the ex-post evaluation of policies relating to competitiveness and to formulate policy advice.

Furthermore, each Competitiveness Board would be expected to publish an annual report summarising its analysis and policy advice. They should also be in regular contact with the competitiveness boards of other Member States as well as with the Commission, which should facilitate coordination between them.

¹ http://ec.europa.eu/priorities/economic-monetary-union/docs/5-presidents-report_en.pdf

² Doc 13348/15

Although the Commission recommendation is addressed to Euro-area members only, the other EU Member States are also encouraged to set up such bodies.³

Previous discussions on the Five Presidents' report

The idea to create bodies tasked with monitoring competitiveness at national level was already included in the Five Presidents' Report, which referred to the setting-up of Competitiveness Authorities that would have a mandate to assess in particular "*whether wages are evolving in line with productivity and compare with developments in other euro area countries and in the main comparable trading partners*". Compared to the content of the Five Presidents' report, the mandate of the Competitiveness Boards proposed in the Commission recommendation, as described above, is formulated in a broader manner and takes into account other competitiveness factors.

Within the remit of the Competitiveness Council, the High Level Group on Competitiveness and Growth (HLG) had a debate specifically on the idea to set up Competitiveness Authorities⁴ at its meeting on 13 October 2015.

At the HLG meeting, the principle of setting up new Competitiveness Authorities was received with scepticism by almost all delegations. Doubts were raised in particular regarding:

- the need and the added value of creating an additional body on top of existing structures and mechanisms at national level, which already fulfil similar tasks and which are often based on national traditions
- the risk of creating delays in policy making by adding another layer to the existing decision making processes
- the scope of the Competitiveness Authorities' activities and the issues that they are supposed to solve (lack of a clear problem definition)
- the emphasis put on monitoring national wage setting mechanisms – instead of focusing on other factors having a significant impact on competitiveness

³ See Recital 1 of the recommendation.

⁴ As referred to in the Five Presidents' report.

Similar criticisms were voiced during the discussions within the ECOFIN and EPSCO Council formations.

Debate at the Competitiveness Council

The Competitiveness Council has a mandate to monitor all horizontal and sector-specific issues relating to competitiveness, including the implementation of micro-economic reforms at national level.

The Presidency therefore finds it essential that the Competitiveness Council provides its input to the ongoing debate on the EMU package led by the ECOFIN Council, in particular as regards the recommendation regarding the setting-up of National Competitiveness Boards.

Building on the previous discussions on the Five Presidents' report, held notably in the HLG, Ministers are invited to consider the following questions in particular:

- *Does the Commission recommendation on the setting-up of national Competitiveness Boards sufficiently take into account the issues and concerns raised by delegations in previous discussions?*
- *Do the Member States generally agree with the need to set up national Competitiveness boards, based on the concept and the roles of the Competitiveness Boards described in the Commission recommendation?*

Next steps

The Presidency will communicate the main results of the Competitiveness Council debate to the Chair of the ECOFIN formation of the Council.

The Prime Minister of Luxembourg will then send a letter summing up the discussions on the EMU package to the President of the European Council in view of the 17-18 December 2015 meeting of the European Council.