



Council of the
European Union

**Brussels, 2 February 2017
(OR. en)**

5905/17

COMPET 72

NOTE

From:	The Trio Presidency
To:	Permanent Representatives Committee/Council
Subject:	Tackling barriers to growth and investment: Best practices and challenges in the implementation of country specific recommendations (CSRs) and other European Semester related recommendations - Findings of the thematic debates in the HLG

In view of the meeting of the Competitiveness Council on 20 February 2017 delegations will find in Annex a report from the Trio Presidency on tackling barriers to growth and investment: Best practices and challenges in the implementation of country specific recommendations (CSRs) and other European Semester related recommendations. This report contains in particular findings of the thematic debates held in the High Level Working Group on Competitiveness and Growth.

Tackling barriers to growth and investment:**Best practices and challenges in the implementation of country specific recommendations (CSRs) and other European Semester related recommendations****Findings of the thematic debates in the HLG**

As of 2013 the European Union has found its way to a moderate but sustained economic recovery. The European Semester, the instrument through which economic and fiscal policies in and between Member States are coordinated, has played a valuable role in this. European Semester-related publications contain detailed analyses of Member States' performance on important areas such as competitiveness, the business environment, the labour market and promoting (foreign) investments. These have resulted in many useful country specific recommendations (CSRs) and other Semester related recommendations to tackle barriers hampering the single market and preventing the EU and Member States reaching their full economic potential.

The 18-month programme of the Trio Presidency of the Netherlands, Slovakia and Malta underlines that the Single Market, "including better follow-up on implementation of CSRs under the European Semester, and focusing on structural reforms", is priority for jobs, growth and competitiveness.¹ Despite the recognised added value of recommendations to tackle barriers to growth and investment in the framework of the European Semester, national implementation has so far been uneven. The Single Market Strategy adopted in 2015 calls for a stronger focus on the national implementation of recommendations, particularly in the services sector. In this regard, Ministers held a thematic debate on the implementation of recommendations on the services market during the COMPET Council of 29 February 2016 and tasked the HLG to have timely thematic and strategic discussions to share experiences on the national issues and beyond. Under the current Trio Presidency, the High Level Working Group on Competitiveness and Growth (HLG) held five thematic debates on important issues to the Single Market: the services sector, regulated professions, research & innovation, public procurement and skills. This document provides an overview of the main results of those thematic debates.

¹ Brussels, 11 December 2015 15258/15, p.4 - The future Netherlands, Slovak and Maltese Presidencies. Taking forward the Strategic Agenda - 18 month programme of the Council (1 January 2016 - 30 June 2017).

In the COMPET Council of 20 February 2017, the Maltese Presidency foresees a debate on the European Semester 2017, including the key Competitiveness aspect of the Annual Growth Survey and a thematic discussion on public procurement.

The main finding of the thematic debates in the HLG is that the European semester is a useful instrument to promote reforms that contribute to the better functioning and completion of the single market. The recommendations are an important tool to identify and draw attention to deficiencies and barriers in a targeted and solution oriented way. By discussing various challenges and sharing national experiences and best practices the implementation rate of such recommendations could increase. Building upon informative presentations by the Commission, these discussions on national efforts to strengthen the single market and foster competitiveness support our work on the Single Market Strategy and the Digital Single Market Strategy. The thematic debates also addressed the importance of national ownership for implementing reforms and the need to further improve the dialogue between the Commission and Member States within the European Semester. In this regard some Member States highlighted the need to take into account the sequencing of reforms in the formulation and assessment of CSRs.

Incoming Presidencies could initiate further thematic debates in the COMPET Council as a tool to strengthen our competitiveness. The CSRs and other relevant recommendations continue to be a useful instrument in this regard. Taking into account policy recommendations in regular discussions helps Member States to gain a better and mutual understanding of our challenges to remain competitive in the future and learn from each other's experiences.

Impressions of the separate thematic debates

While national implementation of CSRs and other Semester-related recommendations has so far been uneven, there are best practices and success stories, which have been and should continue to be shared. This illustrates that challenges can be overcome and that reforms benefit our citizens and businesses. The impressions of the thematic debates in the HLG on relevant topics for competitiveness show that these discussions were very helpful in this regard. Exchange of experience on the implementation of CSRs in the area of services has illustrated how challenges can be tackled, and differences in implementation at the national level can be overcome. In this regard, the HLG could continue with an exchange of experiences on the implementation of these CSRs.

The services sector

Building upon a presentation by the Commission, the implementation of Semester-related recommendations on the services sector was discussed. Many recommendations aim to improve national competitiveness and the functioning of the single market as a whole, touching upon areas which are primarily the responsibility of the COMPET Council. From the exchange of best practice during the HLG discussion, we learnt how removing unjustified measures that may directly or indirectly obstruct the free movement of goods and services contributes to the establishment of new operators and how the implementation could also benefit firms' productivity, help firms grow and allow companies to exploit economies of scale in a single market.

Regulated professions

The HLG discussed national actions plans for regulated professions and the follow-up actions in the Single Market Strategy. The Commission mentioned that regulated professions and services will play an increasing role in the CSRs. Through exchange of experiences during our HLG discussions we learnt for instance, that resistance to deregulation by the concerned professional bodies exists, but that it is possible to reach common ground, for example in updating training requirements. We also learnt about the so called chartered bodies, self-regulating bodies, that do not represent barriers for other EU citizens since they could join the charter voluntarily.

Research and innovation

The HLG discussed research and innovation as a growth and competitiveness enabler, focusing on prioritising quality public investments, public policy as a lever of business investments and a supportive business environment. Here we learnt how Member States can evaluate their R&I system, so as to then consolidate the research institutions and the provision of incentives for private investment in R&I. The need to grow investments in knowledge-based capital, the importance of public-private cooperation and the use of instruments such as tax incentives were also highlighted. We learnt how one can adopt a partnership approach between enterprise, academia, government and state agencies in order to develop a strategic and coordinated approach to investment, focused on a selected list of research areas.

A number of challenges faced in the area of research and innovation were also highlighted, namely better streamlining of the R&D&I and industrial policies and maintaining the sustainability of financing.

Public procurement

The HLG discussed that Member States, incentivised by the financial crisis, need to carefully assess public expenditure and modernize procedures for public procurement to make it more efficient. We learnt from best practices of Member States how actions are implemented to improve procedures by modernizing public procurement, (digitization, transparency through e-procurement and publication), improving access to information, better training officials and SMEs and ensure better regulation. At the same time, it was discussed that, in line with the transposition of the new public procurement Directive, goals for public procurement have shifted from a focus on price only towards more strategic objectives for creating jobs as well as promoting sustainability, innovation and SME participation.

Skills

During the thematic debate on skills the HLG discussed the opportunity to ensure the EU's competitiveness based on a highly and digitally skilled workforce and attract and keep jobs in the EU now and in the future. Member States agreed with the link between skills and competitiveness; pointed to the need to bring all stakeholders together; have actions targeted to SMEs and support vocational training and apprenticeships. They also stressed the urgency to address skills mismatch; forecast the future skills needed; the importance of STEM-professions; agree with the need to upskill; improve digital skills; and establish a link with the rollout of broadband. The need for new skills - especially digital skills – as well as entrepreneurial and soft skills to increase productivity and establish the link between supply and demand is crucial.