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NOTE

from:	the Council (Ecofin)
to:	the European Council
Subject:	Council (Ecofin) Conclusions on European 2020 Strategy

Delegations will find attached Council Conclusions on European 2020 Strategy as agreed by the Council (Ecofin) on 8 June 2010.

Encl.:

Council Conclusions on European 2020 Strategy

Europe 2020

1. Europe 2020 is the European Union's new strategy for smart, sustainable and inclusive growth and jobs. It is a central element in Europe's response to the world's worst economic crisis since the 1930s, which has threatened the macroeconomic and financial stability and, without continued policy action, could have a severe impact on the growth potential of the European economy for years to come. Europe 2020 addresses the immediate and longer-term needs of macroeconomic and financial stabilisation. It provides the right framework for implementing strategies for exiting from short-term crisis support by combining the timely withdrawal of fiscal stimulus, real economy measures, and support to the financial sector with the phasing in of growth-enhancing structural reforms over the medium- and long term. The strategy also aims to tackle the challenges associated with demographic ageing, globalisation, and climate change, competitiveness concerns and macroeconomic imbalances, which pre-dated the economic crisis.
2. At the core of the new strategy is a framework for enhanced co-ordination of Member States' economic policies building on widened country surveillance which covers all relevant macroeconomic and structural policy areas in an integrated fashion. This strengthened framework should facilitate the immediate launch of exit strategies and address the urgent need for fiscal consolidation both in the short and over the medium term, through growth-friendly budgetary consolidation strategies focused on expenditure restraint, and be combined with the implementation of long-term policies to tackle bottlenecks to growth.

Targets

3. The Council TAKES NOTE of the progress made in determining the reference values for the European objectives of education and on developing indicators in the area of social inclusion. Headline targets should be part of the Integrated Guidelines. The Council UNDERLINES the need for the targets to be consistent with the overall objectives of the Europe 2020 Strategy – growth and jobs – and with the need for fiscal consolidation. In particular, the EU target on social inclusion should include the labour market dimension.
4. The Council also NOTES the progress achieved by Member States in identifying their national targets following the dialogue process with the Commission in order to check consistency between the national and European objectives. The Council ENCOURAGES the Commission to continue the work with national authorities leading to the setting of realistic and ambitious national targets in the next National Reform Programmes, which are consistent with identified macro-structural bottlenecks to growth. The indications show that provisional national targets appear to be broadly consistent with the EU-level targets.
5. The Council CONSIDERS that the headline targets should be seen as representative of overall progress towards the vision for Europe 2020. The Council PROPOSES that the national headline targets should be in line with the following principles:
 - The national targets should at the same time be ambitious and realistic. They should reflect national macro-structural bottlenecks to growth and country-specific circumstances in terms of the state of economic development as well as the macroeconomic, social, environmental and fiscal challenges facing each country.
 - Member States have full ownership of their national targets without engaging in burden-sharing. However, the aim should also be broad coherence and consistency among the targets for each Member State but also at EU-level. The ECOFIN Council has an important role to play in ensuring that the overall fiscal constraints are fully respected.

- While not being a burden-sharing exercise, all Member States should aim at making progress, but those with larger gaps should generally contribute more towards meeting the aggregate target, while being consistent with the need for fiscal consolidation.
 - Due account should be given to the interlinkages between targets, given that reaching one target may be helpful in reaching others.
 - Progress towards the headline targets should be reviewed regularly, and if necessary a midterm review should be conducted.
6. The Council **UNDERLINES** that priority should be given to policies at EU and national level that strengthen incentive systems for reaching targets and should be consistent with the fiscal consolidation commitments undertaken in the context of the Stability and Growth Pact. This is particularly important with regard to the R&D expenditure rate target (where principally private sector expenditure should increase), the social inclusion/poverty target (where increases in employment, for example for groups that are currently socially excluded, should contribute the lion's share of progress) and the energy efficiency target (where energy users who benefit from energy savings should generally bear the additional investment costs).

Integrated Guidelines

7. The Council **ADOPTS** the report, for the attention of the European Council at its meeting on 17 June, on the Broad Economic Policy Guidelines as part of streamlined Integrated Guidelines. The proposed Broad Economic Policy Guidelines provide the right frame of reference for Member States and the EU for their economic policies. The Council **UNDERLINES** that the BEPGs constitute the legal basis for country specific recommendations under Article 121(2) and are therefore of particular relevance for strengthening EU economic policy co-ordination.

Main bottlenecks to sustainable growth

8. The Council REAFFIRMS the importance of identifying the most important national macro-structural bottlenecks to growth and of designing policies to address them so as to provide the right conditions for sustainable and balance growth and jobs in the future. The Council WELCOMES the work undertaken in this regard by the Commission with Member States and the Economic Policy Committee and the Economic and Financial Committee and ENDORSES the EFC and EPC report on identifying national macro-structural bottlenecks to growth. Member States are invited to take these suggestions into account when setting out the bottlenecks in their National Reform Programmes.
9. Addressing these bottlenecks entails creating the right framework conditions over the medium- to long term at macro level to rectify budgetary and macro-financial problems as well as external imbalances. It will also 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, climate change and education policies. It will be important for Member States to design policies that address existing bottlenecks and thereby provide the right conditions for sustainable and balanced growth and jobs in the future.

Enhanced economic policy coordination and timing

10. The Council WELCOMES the Commission's Communication on reinforcing economic policy co-ordination for the EU as a whole and for the euro area in particular, which includes proposals for reinforcing the Stability and Growth Pact; broader surveillance of intra euro area macroeconomic and competitiveness developments; and more integrated economic policy coordination for the EU.
11. The Council WELCOMES the work of Task Force established by the President of the European Council and looks forwards to its proposals, including for enhanced policy coordination and a strengthening of the Stability and Growth Pact.

12. The Council CONSIDERS that surveillance under the Europe 2020 strategy and the Stability and Growth Pact should be organised in the following manner:

- The reporting in Stability and Convergence Programmes and in the National Reform Programmes should be better aligned and take into account guidance provided by the European Council. All these policy areas should be analysed in an integrated fashion. The instruments will however be kept clearly separate. The integrity of the Stability and Growth Pact will be fully preserved, as will the specific responsibility of the ECOFIN Council in overseeing its implementation;
- Surveillance should be broader, deeper and more effective, with greater focus on substance and taking better account of the euro area dimension;
- Surveillance should feed into policy making at national level and ensure overall coherence from the perspective of the EU and the euro area as a whole. This remains to be discussed by the Task Force.
- The timing of reporting and policy guidance should consider the need for adequate preparation at national level and provide the best possible moment for assessing national fiscal policies, while respecting the role of national parliaments.
- Interactions and complementarities between EU- and national-level policies should be fully exploited;
- Any duplication of processes should be avoided and the reporting burden on member states should be minimised.

13. The Council INVITES the Commission to provide an overview of EU-level bottlenecks envisaged under the flagship initiatives and set out how the thematic pillar could give rise to policy recommendations to Member States. In this context, the Commission should ensure in dialogue with Member States that adequate evaluation frameworks for this purpose are put in place.