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Subject:	Presidency Note for Policy Debate on European Semester/Annual Growth Survey 2013 on Internal Market, Industry, Research and Innovation aspects

Introduction

1. The Annual Growth Survey (AGS) for 2013, adopted by the European Commission on 28 November 2012, launches the 2013 European Semester for economic policy coordination, which ensures that Member States align their budgetary and economic policies with the Stability and Growth Pact and the Europe 2020 strategy. It is the basis for building a common understanding about the priorities for action at the national and EU level as the Union seeks to return to a path of sustainable growth and job creation.

The AGS should feed into national economic and budgetary decisions, which Member States will set out in Stability and Convergence Programmes (under the Stability and Growth Pact) and national reform programmes (under the Europe 2020 strategy) in April 2013. These programmes will form the basis for the European Commission's proposals for Country Specific Recommendations (CSRs) in May 2013.

2. The AGS recommendations are unchanged from those of the AGS 2012, namely to:
(i) pursue differentiated, growth-friendly fiscal consolidation;
(ii) restore normal lending to the economy;
(iii) promote growth and competitiveness for today and tomorrow;
(iv) tackle unemployment and the social consequences of the crisis; and
(v) modernise public administration.

3. The EU economy is slowly starting to emerge from the deepest financial and economic crisis in decades. However, although important action has already been taken and there are positive trends, we remain some distance from Union-wide and sustainable recovery. Currently, there is little prospect of significant growth resuming in the near term.

4. Without a strong and innovative EU, we will be unable to compete in emerging sectors and technologies with the growing powerhouses of other continents, in particular emerging economies. Essentially, in a situation where there is little scope to boost growth on the basis of macroeconomic policies, growth will derive from increased productivity and higher added value through innovation, research and education/upskilling of human resources, labour-market flexibility and reforms and strengthening and deepening of the internal market. European Union instruments for lending to small and medium-sized enterprises (SMEs), and funding for research and infrastructure investment will also play an important part. Private sector investor leverage could multiply the impact of public policy measures significantly.

Industrial Competitiveness and Internal Market

5. Increased industrial competitiveness is a strong driver of growth and employment and in that sense can contribute towards attaining all of the interlinked Europe 2020 targets at EU level. It is important to stick to long-term-oriented growth-enhancing policies that can boost productivity of European industry and services sectors and thus the competitiveness of the EU economy. Furthermore, price competitiveness and on-going industrial restructuring will help Member States boost their exports.

6. The increasingly important role of global value chains for EU industry requires a different approach to industrial policy that takes increased account of the inter-linkages and a focus on encouraging the formation of networks which facilitate technology transfers. Particular emphasis should be put to enable SMEs to have access to global markets, in order to reap the potential of fast growing new markets and technologies.

7. For the first time, the Single Market is more closely aligned to the European Semester by including a report on the State of Single Market Integration 2013 in the AGS package. The inclusion of surveillance of the Single Market in the entire European semester process will help to reap fully the benefits of a Single Market with more than 500 million people and the highest purchasing power of the world. In particular, it should facilitate to identify bottlenecks and short comings of the current situation and should provide guidance to remedy it. This approach is supposed to form part of a regular stock-take of progress in the field of internal market legislation, in particular Single Market Act I and II, and will also enhance the Competitiveness Council’s role in monitoring and providing political guidance on growth-enhancing measures.

8. Annexed to this note is a Presidency Paper on the Annual Growth Survey 2013 which has been discussed by the Competitiveness and Growth High Level Group at its meeting of 1 February 2013 (Annex I). The Presidency Paper sets out a number of observations and proposed priorities with a view to further develop industrial competitiveness and the Single Market and exploit its untapped potential as an engine for growth and jobs. It also reflects the main views expressed at the High Level Group meeting.

9. In the light of the overall context described above and in the Annex, the Presidency invites the Council (Competitiveness – Internal Market and Industry part) on 19 February 2013 to address the following questions with a view to contributing to the European Semester exercise.

- *How can we ensure that the EU industrial policy help manufacturing enterprises, including SMEs, to become part of global value chains and reap the potential of fast growing new markets and technologies?*

- *What would be the most important measures to overcome remaining barriers in the service sector and in particular to improve the implementation of the Services Directive?*

- *What would be the most effective measures to be taken at EU level to improve single market governance?*

Research and Innovation

10. Research and innovation has an important role to play in boosting competitiveness, growth and jobs. Continued progress by Member States towards meeting their Europe 2020 commitments on R&D investment will make a valuable contribution. In this respect, it is paramount that private investment in R&D complements public efforts to reach the 3% objective for research investment in the European Union. However, in the context of pursuing differentiated, growth-friendly fiscal consolidation, the efficiency and effectiveness of this investment is critical. This would include effective measures to support the capacity of European industry to innovate and compete globally and to leverage private investment in new technologies and market opportunities, including national reforms to support the building of an Innovation Union and the completion of the European Research Area.

11. Annexed to this note is the opinion of the European Research Area Committee on the Annual Growth Survey 2013 adopted by written procedure following its meeting of 25 January 2013 (Annex II). The opinion sets out a number of observations and proposed priorities with a view to reinforcing the contribution of research and innovation to, and their impact on, the European Union and Member State policies on competitiveness, growth and jobs.

12. In the light of the overall context described above and in the annex, the Presidency invites the Council (Competitiveness – Research part) on 18 February 2013 to address the following questions focusing on research and innovation, with a view to contributing to the European Semester exercise. The Council members are invited to respond to the following three questions:

- *How do we ensure that Europe is at the forefront of anticipating the next wave of technological development and market potential and how can we optimise Europe's leadership position in this regard?*

- *Can Public Private Partnerships be developed to support investment in research and innovation? Do we have good examples?*

- *How to best promote the translation of R&D results into jobs and marketable products and services?*

Presidency Paper

European Semester Process: Competitiveness Council and the Annual Growth Survey 2013

INTRODUCTION

1. The Annual Growth Survey (AGS) for 2013 (published by the European Commission on 28 November 2012), launches the 2013 European Semester for economic policy coordination, which ensures the Member States align their budgetary and economic policies with the Stability and Growth Pact and the EUROPE 2020 strategy. It is the basis for building a common understanding about the priorities for action at the national and EU level as the Union seeks to return to a path of sustainable growth and job creation. The AGS should feed into national economic and budgetary decisions, which Member States will set out in Stability and Convergence Programmes, (under the Stability and Growth Pact) and national reform programmes (under the EUROPE 2020 strategy) in April 2013. These programmes will form the basis for the European Commission's proposals for Country Specific Recommendations (CSRs) in May 2013.

2. As part of the AGS package, the Commission, for the first time, has issued a Report on the State of Single Market Integration. It is the intention of the Commission to present such a report on an annual basis, with a twofold objective. Firstly, to provide an overview of the integration of the single market with respect to the four freedoms. Secondly, to assess and identify, in a limited number of priority areas key to economic competitiveness and growth, the policy priorities for further action at national level.

The AGS recommendations are unchanged from those of the AGS 2012, namely to:

(i) pursue differentiated, growth-friendly fiscal consolidation;

(ii) restore normal lending to the economy;

(iii) promote growth and competitiveness for today and tomorrow;

(iv) tackle unemployment and the social consequences of the crisis; and

(v) modernise public administration.

3. This Presidency paper takes account of the views expressed by the **High Level Group (HLG) on Competitiveness and Growth** on the basis of a Presidency background non-paper submitted to the HLG at its meeting on 1st February 2013. Furthermore, the paper is prepared as an input to the discussion and deliberations by Ministers at the Competitiveness Council meeting on 18th and 19th February 2013. In general, the HLG shares the general priorities of the AGS. Under three distinct rounds of debate, corresponding to the three Parts hereunder of this Paper, the HLG made the following salient points for consideration:

- The HLG emphasised the significance of the horizontal role of the HLG, especially in terms of its new work programme, and the significance of the Competitiveness Council in strengthening the competitiveness and growth aspects of the European Semester process and the pursuit of political discussions on competitiveness issues in that regard
- The importance of external competitiveness and an ambitious external trade agenda as a driver of growth, investment and job creation

- Continued support to SMEs, access to finance and the entrepreneurship agenda, including support for clustering and the modernisation of State aid
- Rapid completion of Single Market Act (SMA) I and moving forward with SMA II initiatives bearing in mind the completion by the end of the current parliamentary cycle in 2014 at the latest
- The maintenance and strengthening of the EU's industrial base and the importance of new technologies, innovation and completing the digital Single Market
- Keeping better regulation and impact assessments to the fore having regard to evidence-based policy considerations
- In terms of Structural Reform, maintaining public administration efficiency is important, particularly in the context of e-Government
- The HLG welcomed the annual integration into the AGS of the Single Market Integration Report and stressed that Member States need to press ahead with the systemic implementation of the Services Directive, realise the full potential of the Points of Single Contact and continue to develop the Internal Market Information (IMI) System, as well as develop greater awareness of SOLVIT. The use of peer pressure or peer reviews is recognised as a useful tool and further dialogue with the Commission is warranted in that regard.

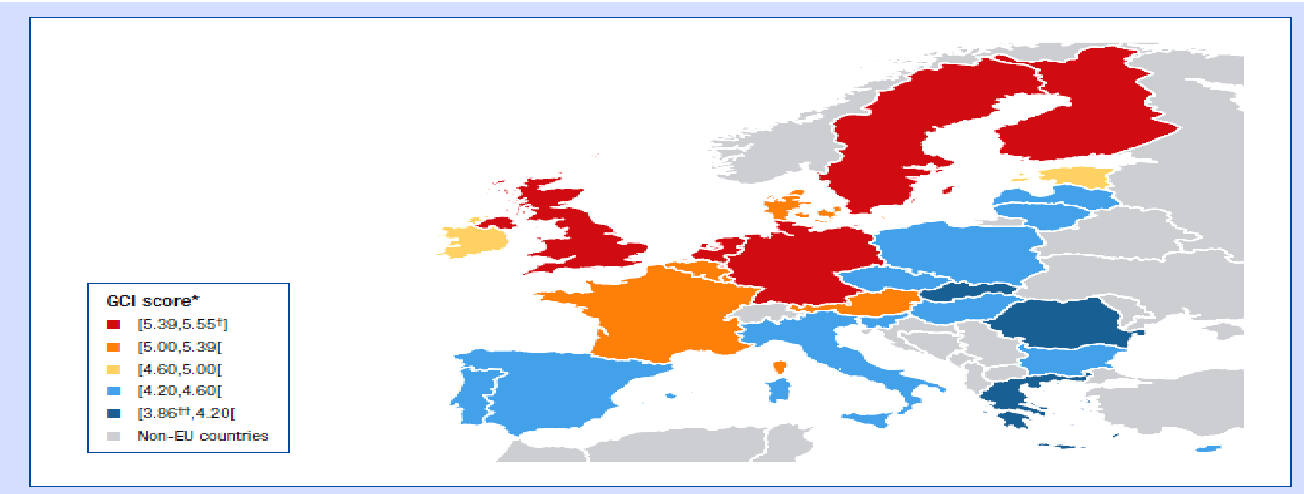
PART 1: Promoting sustainable growth and competitiveness

CONTEXT

4. The EU economy is slowly starting to emerge from the deepest financial and economic crisis in decades. However, although important action has already been taken and there are positive trends, we remain some distance from Union-wide and sustainable recovery. Currently, there is little prospect of significant growth resuming in the near term. The European Commission forecasts that the Eurozone economy will grow by a mere 1% next year. The debt problems remain considerable and recession and unemployment threatening to undermine our very capacity to service debts and credibility in capital markets. The inherent "design flaws" in the operation of the European Monetary Union project remain to be fully rectified. The BRIC countries (Brazil, Russia, India and China) although outpacing Europe, are growing less quickly than they did in 2011 and the U.S. economy remains sluggish.

5. A more competitive and productive economy is one that is more likely to sustain growth and create jobs. Effective implementation of the Union's economic governance and Banking Union proposals will be necessary for confidence to be restored in the European economy. Agreement must be reached soon on the EU's future budgetary and policy framework for 2014 to 2020. Success in furthering these objectives will provide a secure foundation for helping to restore economic growth and to create jobs across the Union.

6. In parallel, however, it is essential that Member States maintain their **structural reform** momentum. Austerity measures caused by the urgent need for fiscal consolidation and banking stabilisation should go hand–in-hand with robust action aimed at restoring economic growth and increasing the labour intensity or job-rich character of the recovery. Although one could not argue with the key AGS messages, it is nevertheless telling that the AGS recommendations focus on the same priorities as last year's AGS, an indication perhaps that overall the much needed structural reforms are not happening quickly enough across our economies. A recent 2013 EUROCHAMBRES Economic Survey indicates that business confidence across the EU is at a 20 year low and that restoring financial liquidity must be a priority. Several EU Member States, according to the WEF Global Competitiveness Report 2012-2013 rank amongst the most competitive countries in the world, indeed eight are ranked in the top 20. It is however notable that there are significant disparities in competitiveness across the EU. The following Global Competitiveness Heat Map illustrates these disparities:



Global Competitiveness Report 201-2013 – World Economic Forum. Competitiveness in the EU: Global Competitiveness Indicator (GCI) Heat Map[1]

[1] WEF Twelve Pillars of Competitiveness weighted averages

7. Inward Foreign Direct Investment (FDI) into the EU dropped by more than €350 Billion between 2007 and 2011 (McKinsey) and global companies are cutting costs by transferring operations to emerging markets where production is cheaper. According to the **European Competitiveness report 2012 – *"Reaping the benefits of globalisation"***, in the long-run growth will be enhanced and sustained by a combination of many factors, with openness and a business-friendly environment being two key ingredients. In the process of fiscal consolidation and when Government finances are under extreme pressures, the Report postulates that revising the regulatory environment or increasing the efficiency of the administration alongside an ambitious external trade agenda may be seen as cost-effective measures and together with other structural reforms, like labour market or tax reforms, may provide the basis for future strong growth and job creation.

8. **Entrepreneurship** is also a powerful driver of economic growth and job creation and yet the environment for creating and nurturing entrepreneurs and entrepreneurship in Europe is not always benign. In Europe, just over a third (37%) of workers prefer to be self-employed, whereas the comparable figure in the USA and China is more than 50%. The recently published, **Entrepreneurship Action Plan** sets out a blueprint for Commission and Member state actions to unleash Europe's entrepreneurial potential, by removing existing obstacles and hurdles and by proactively creating a culture of entrepreneurship in Europe. The Plan calls for investments in changing the public perception of entrepreneurs, for reducing time to complete bankruptcy procedures and further and more extensive investment in entrepreneurship education and for support to groups that are under-represented among entrepreneurs.

<u>Industrial Performance</u>

9. Industrial competitiveness is now one of the stated objectives of European integration under the Lisbon Treaty. Therefore a European coordinated approach is essential. Increased industrial competitiveness can also be a strong driver of growth and employment and in that sense can contribute towards attaining all of the interlinked Europe 2020 targets at EU level. The core elements proposed under Europe 2020 are growth based on knowledge and innovation, an inclusive, high employment society and greener and resource-efficiency economy.

10. The **Industrial Performance Scoreboard 2012 Report**: ***Member States Competitiveness Performance and Policies***, essentially provides a series of comparative competitiveness indicators under the broad headings of (a) innovative industrial policy, (b) sustainable industry, (c) business environment and entrepreneurship, (d) services sector and (e) public administration. On the whole, the Report indicates that Member States have engaged in reforms to improve business prospects and strengthen their competitiveness. In particular, the Report states that overall innovation performance has improved, but that the innovation gap between Member States is in danger of widening due to the different ways they have responded to the economic crisis. The Report found that significant challenges remain in promoting private research and enhancing competition in network industries (energy, telecommunication, and transport) and that, due to the crisis, access to finance, particularly for SMEs, has worsened in the majority of Member States.

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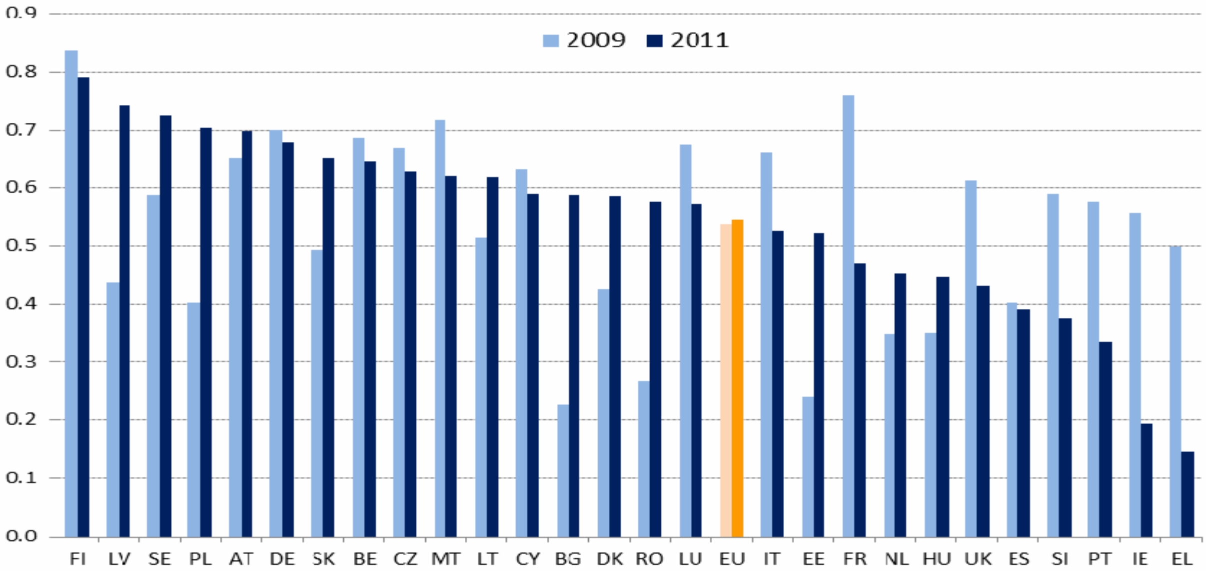
PART 2: The Challenges of Policy Improvements, Structural Reforms and boosting the productivity of European industry and services sectors

CONTEXT

11. Clearly without a strong and innovative EU, we will be unable to compete in emerging sectors and technologies with the growing powerhouses of the BRIC countries. Essentially, growth will derive from many of the same elements which have existed since the previous Lisbon Agenda goals were first formulated namely, increased productivity and higher added value through innovation, research and education/upskilling of human resources, labour-market flexibility and reforms, strengthening and deepening of the internal market, more funding from the European Investment Bank (EIB) for lending to small and medium-sized enterprises (SMEs), and more resources for infrastructure investment based on connecting Europe physically and digitally. EU funding mechanisms, such as the Connecting Europe Facility (CEF) will have a very important role to play in the delivery of the digital single market (next generation broadband networks etc.), improved transport infrastructure and the energy single market. Private sector investor leverage could multiply this very significantly.

To underpin this, there must be real and sustained structural reform in Member States. In particular, structural reforms that will make it easier to collect taxes, reduce red tape, increase productive employment through support for entrepreneurship, education reforms and higher flexibility in the labour market, easier penetration of services markets, greater mobility and easier access to regulated professions and recognition of professional qualifications. The Commission's Country Specific Reports as part of the EU Semester will be published in May next and this will add impetus.

12. Restoring normal lending to the real economy remains a top priority, with efforts at EU and Member State level aiming to address limited or costly access to finance and to promote alternative source of funding for businesses as well as the promotion of public-private partnerships and programmes at national and regional levels and improving access to venture capital. The following Index on SMEs' access to bank lending shows very considerable dis-improvements in access to finance in respect of certain Member States (notably UK, France, Slovenia, Portugal, Ireland and Greece).



Source: ECB/European Commission survey on SME finance; Commission calculations

13. To further strengthen the growth potential of Member State actions, the following policy areas require particular consideration:

Growth-friendly fiscal consolidation to protect productive public investment

14. In a situation where there is little room for macroeconomic policies to boost growth, it is crucial to maintain the momentum for **structural reforms**. Equally important is to stick to long-term-oriented growth-enhancing policies that can boost productivity of European industry and services sectors and thus the competitiveness of the EU economy. However, there is evidence suggesting that the on-going fiscal consolidation may be acting against growth-friendly expenditure.

15. Therefore, it is important to sharpen policy recommendations on the expenditure side of fiscal consolidation efforts, with the view to protect productive public expenditure and investment. Key investments are required in sectors that increase productivity. To this end, it is instrumental to consider the priority areas identified by the updated EU industrial policy, with the view to facilitate investment in new technologies and innovation and human capital. On the other hand, given the various industrial structures of Member State economies, any such recommendations would need to be differentiated, reflecting common patterns in terms of economic development, infrastructure endowment, and level of innovation capacity.

External demand, foreign direct investment and industrial competitiveness as sources of growth and employment

16. Owing to the on-going fiscal consolidation, the contribution of public domestic demand to GDP growth tends to be negative in most EU Member States. Policies for strengthening internal demand (both private household consumption and private investment) are constrained by high household indebtedness in some Member States, but can make important contributions to growth in others. **External demand will be constrained by reduced growth in the US and the BRIC economies, but** remains one of the few means to bolster growth without drawing on the constrained public finances. The EU remains the largest exporter of goods and services in the world and has broadly managed to hold a share of 20% of global exports (excluding energy) – despite the rise of China. Many Member States have introduced support schemes or implemented plans aimed at fostering internationalisation. According to recent studies, 25 % of SMEs in the EU export or have exported at some point during the last three years.

17. However, most of the exports are to countries inside the EU and only about 13 % of SMEs export to markets outside the EU. If as is expected, that 90% of economic growth by 2015 will occur outside the EU, then we have an imperative to capture the impact of this expansion for EU citizens, workers and business.

    Therefore, by expanding opportunities for small and medium sized companies to grow into global markets, we can also spread the benefits of trade into the EU's regions and the EU neighbourhood. In short, European industry requires more market opportunities in both the Internal Market and in global markets if we are to approach a target of Industry accounting for 20% of EU GDP by 2020 (currently circa 16% of EU GDP).

18. Globally, some Member States are performing better than others. Some Member States are successful global exporters of manufactured goods, some are more specialised in intra-EU trade, whereas others have economies dominated by services. Price competitiveness and on-going industrial restructuring help boost exports of the catching-up Member States. Mature economies tend to benefit from technological competitiveness and structural shifts toward knowledge-intensive sectors.

19. Apart from these structural features however, many Member States facilitate export activities by providing their SMEs with various **business support and trade promotion activities** in markets outside the EU; for instance through chambers of commerce, business associations, and also embassies. Next to business support, most Member States also operate specific schemes that facilitate international trade through export credits, guarantees and insurance.

20. Successful and long term internationalisation of SMEs will rely on the companies' ability to provide innovative products and services in an ever changing environment. Investment in innovation and research & development are therefore important cornerstones in securing future international sales. Key elements in the successful internationalisation of SMEs are Management Development Programmes which focus on strategic leadership capabilities, growth management and International selling skills to give companies the tools they need to reach their sales potential in global markets. Consideration should be given to funding programmes of this nature through national and EU budgets. There are also of course concerns about the availability and nurturing of skills in ICTs, science and engineering.

21. The Enterprise Europe Network organisations help companies to source new technologies and find partners abroad. They include chambers of commerce and industry, technology centres, universities and development agencies. They provide a conduit for the European Commission's "***Missions for Growth Initiative***" which targets sectors and organises matchmaking events with local entrepreneurs and also arranges participation in major events that take place in the countries visited.

22. While waiting for the domestic investment activity to pick up in line with the GDP, an important way to boost growth, employment and also export performance is to **attract foreign direct investments**. Besides positive impacts on exports and productivity they often offer new opportunities for enlarging the knowledge base and also facilitate industrial restructuring. However, the openness to foreign direct investments and the capacity to attract significantly varies across the EU, showing important potential source of growth.

    EU industries' positioning and performance in the global value chains, becomes as important as a guide for policy-making as the traditional measures based on export of finished goods.

    Pro-active industrial policy includes FDI promotion; and better-targeting of investment in R&D and in process and marketing innovations are of utmost importance for the EU as well as reducing the barriers to the internationalization of SMEs, fostering their participation and optimal positioning in the global value chains.

23. Globalisation is also changing the way firms cooperate. The ***European Competitiveness Report 2012*** stresses the increasingly important role of **global value chains** for EU industry, a point which is also emphasised in the EU flagship initiative ***'An integrated industrial policy for the globalisation era***' which states: "*The EU needs to pay greater attention to the manufacturing value-chain ... Industry is increasingly dependent on inputs of raw material and intermediate goods, and is also crucially dependent on the business services industries that add value and help to design and market new goods and services*". This new perspective requires a different approach to industrial policy that takes increased account of the inter-linkages and a focus on encouraging the formation of networks which facilitate technology transfer between domestic firms and foreign MNEs. Clusters and networks offer additional benefits from inter-firm spillovers. Networks enable EU enterprises, especially SMEs, to reach critical mass, share information and enlarge their industrial scope.

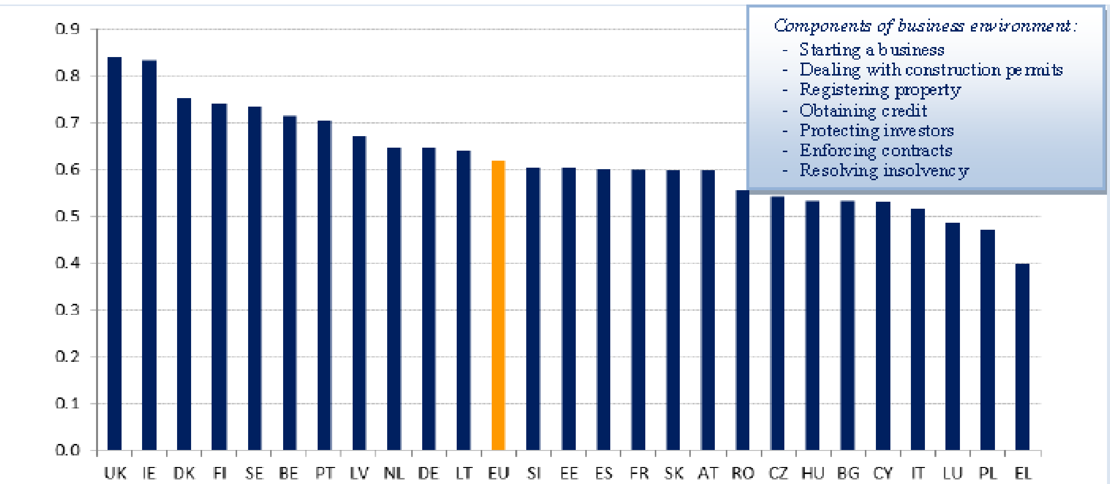
24. In summary, the rationale for business networks/clusters include:

- Globalisation changes the way firms cooperate and new forms of innovation processes emerge
- Changes in organisation set-ups (between hierarchy and markets) decreasing information asymmetries, creating synergies and scale effects
- Business networks: with geographical concentration (clusters) or not, offer flexible cooperative solutions, especially for SMEs

Modernisation of public administration for a positive and stronger business environment

25. As one of five priorities, the AGS 2013 considered that efforts at national and EU level should concentrate on modernising public administration. The quality of public institutions was identified as a determining element of business-friendly environment, and an important productivity factor. Their efficiency and effectiveness can be considered from various angles, such as for instance e-government, better regulation, administrative and tax compliance burden, transparency of public procurement and anti-corruption, or contract enforcement and efficiency of civil justice. The AGS 2013 observes that many reform steps were undertaken to increase the efficiency and transparency of public administration, including in judiciary and state owned enterprises. On the other hand, wider and deeper availability of e-government services or reduced late payments could have further positive effects on businesses.

26. The following Table illustrates the varied levels of business environment and infrastructure across the Union. The components of the indicator include starting a business, registering property, protecting investors, dealing with insolvency, obtaining credit and enforcing contracts.



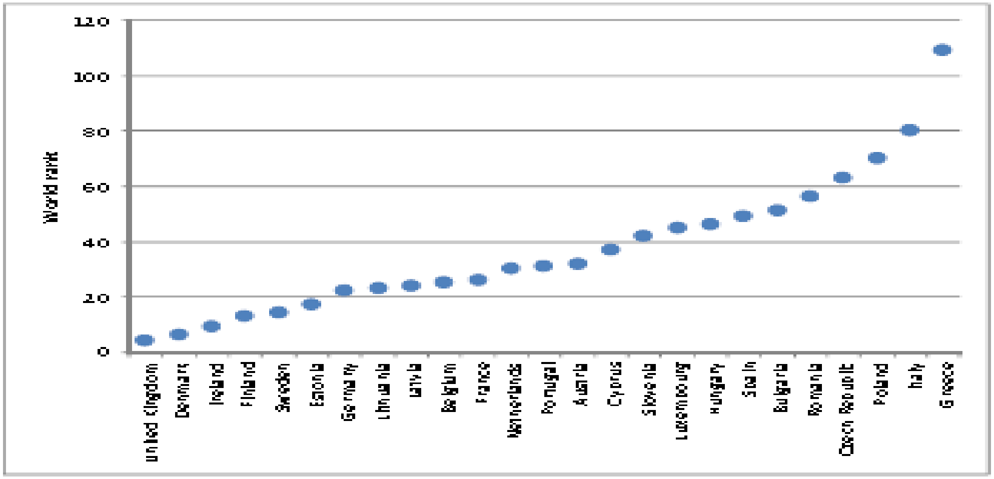
Note: No data for Malta.
Each of the seven components of the indicator has been normalised to values between 1 (best) and 0 (worst). These components are then averaged for each Member State and for each year to obtain a score which reflects the position of the Member State with regard to the best and worst practices measured over 2011. Best practice can be defined in the same way but normalising values to 1 for the best performance over 2006-2011 and zero for the worst performance.
Source: World Bank Doing Business, Commission calculations

27. According to the AGS Report (Macro-economic part), evidence shows that administrative complexity or ‘red tape’ has a significant negative impact on the level of entrepreneurship, innovation and competitiveness, and the inward FDI flows which could play a significant role in addressing imbalances. It goes on to conclude that an excessive regulatory burden tends to stimulate the so-called “shadow” or “black” economy.

28. Therefore, modernising the public administration would contribute both to fiscal consolidation and to competitiveness and growth prospects. In particular, the AGS states that reforms of the judicial system, insolvency problems etc. would reduce the risks and uncertainty of starting and doing business, leading to investment and contributing to reduced transaction costs and would help to enhance competition. Certain Member States have adopted or are adopting measures to shape a more streamlined and effective public service. Key reform areas include judicial systems and enhanced use of e-government and e-procurement.

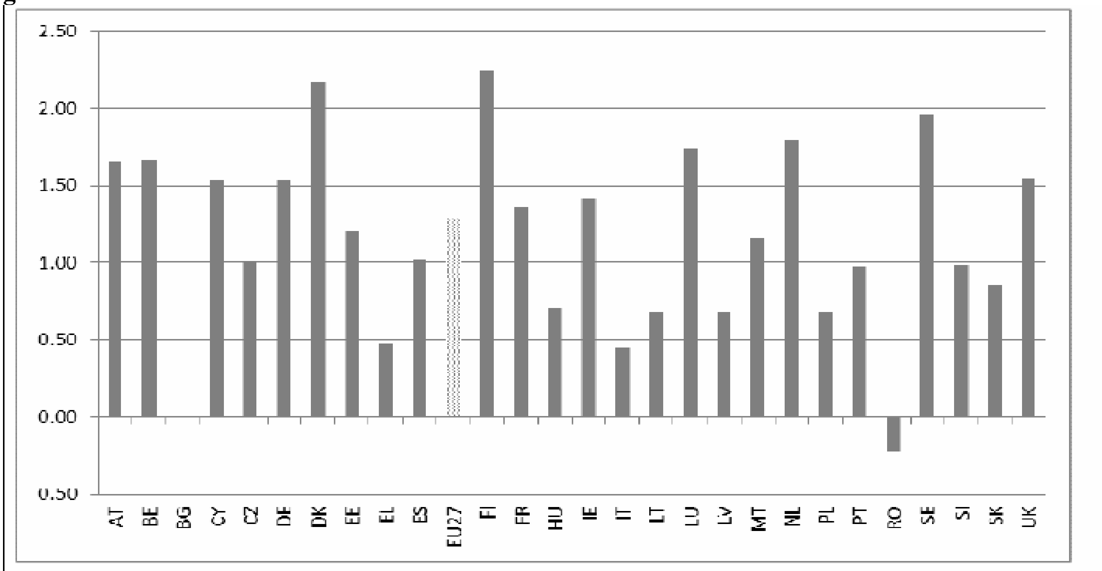
29. **Figure 1** below shows the ease of doing business rankings amongst Member States and again displays wide discrepancies between the Member States. A direct correlation can be made with the results contained in **Figure 2** below which shows the perceptions of Member States' populations of the quality of public and civil services and the degree of independence from political pressures, the quality of policy formulation and implementation and the credibility of Governments' commitments to such policies.

Figure 1



Source: World Bank, Ease of Doing Business database.

Figure 2



Note: *The World Bank's Government Effectiveness Index shows the population's perception of the quality of public and civil services and their degree of independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies. The index attains values in the range -2.5 to 2.5.*

Source: *World Bank*

30. Over the years, many Member States have undertaken measures to increase the efficiency of their public services as well as the transparency and quality of their public administration and judiciary. Such reforms have been particularly far-reaching in countries in financial distress. Examples include reorganising local and central government, the rationalisation of the public sector pay system and of the governance of state-owned enterprises, reform of public procurement processes, regular comprehensive expenditure reviews and the promotion of efficiency measures across the public sector, such as a greater use of shared services and information technology solutions. In several instances, Member States and the Commission have cooperated through the provision or exchange of technical assistance.

PART 3: Single Market integration as a driver of international trade, investment, growth and jobs

CONTEXT

31. In agreeing the **Compact for Jobs and Growth**, the European Council in June 2012 broadened its focus to address economic recovery, sustainable growth and job creation. This jobs and growth agenda requires the removal of barriers to competitiveness as well as better cross-border labour Market protection. One of the main drivers for this is enhancing/completing the **Single Market**. A recent first assessment of the impact of the Services Directive and the reduction of barriers indicates that the EU impact on GDP could be between 0.3% and 1.5%. The estimated increase in trade and FDI could be around 7% and 4% respectively. Additional gains could be reaped by further simplification of requirements and barrier reduction and through the potential of improvements in the Points of Single Contact.

32. Exporters are deeply connected with both the Internal Market and the global value chains that have emerged from globalisation and from the benefits of worldwide trade liberalisation. Globally, the EU is still of huge significance in terms of international trade and investment. The EU remains the world's largest exporter, importer, source and recipient of foreign direct investment. If as is expected, 90% of economic growth by 2015 will occur outside the EU, then we have an imperative to capture the impact of this expansion for EU citizens, workers and business.

33. We have a deep interest in the EU maintaining its dominant position in international trade and investment. Reducing barriers to trade will help more SMEs export and accelerate their internationalisation. **Only 13% of SMEs export outside the EU**. Expanding opportunities for small and medium sized companies to grow into global markets also spreads the benefits of trade into the EU's regions. The European Union is a **major player in global FDI**, both inward and outward. This reflects both the potential of the Single Market and the ability of EU companies to successfully compete in EU and non-EU markets.

34. Further unlocking the potential of the Single Market and thereby lowering transaction costs for SMEs is particularly important because the effects of Single Market fragmentation are felt most strongly in the SME sector. It is important to reinforce what Europe is accomplishing internally with ambitious trade policy objectives at both bilateral and multilateral levels. Equally it is important that Europe remains open and flexible in its trade relations. The impetus for innovations and competitiveness that the EU can harness from its companies **global value and supply chains** can play a vital part in the EU's overall growth agenda.

35. The European Council has been closely following progress in Single Market legislation. Concern has been expressed repeatedly that not enough is being done at the EU level to implement the Compact for Growth and Jobs, particularly in the area of the Single Market. In its December 2012 Conclusions the European Council called upon the Council and Parliament to conclude the remaining ***Single Market Act I*** files as a matter of urgency, in particular those on **Professional Qualifications, Public Procurement, Posting of Workers and E-signature**. It also called on the Commission to present all key ***Single Market Act II*** proposals by spring 2013, and for the Council and Parliament to assign them the highest possible priority.

Internal Market Policy Priorities

36. These policy priorities feed into the Annual Growth Survey and the priorities that it sets out for national reforms by Member States. In this year's first annual Report, the Commission focussed its assessment and identification of policy priorities on **services markets**, energy markets, transport markets and digital markets. The report also follows-up on the June 2012 Communication of better **governance for the single market** and looks into the implementation and enforcement of rules in these areas.

Member States' Actions on Policy Priorities

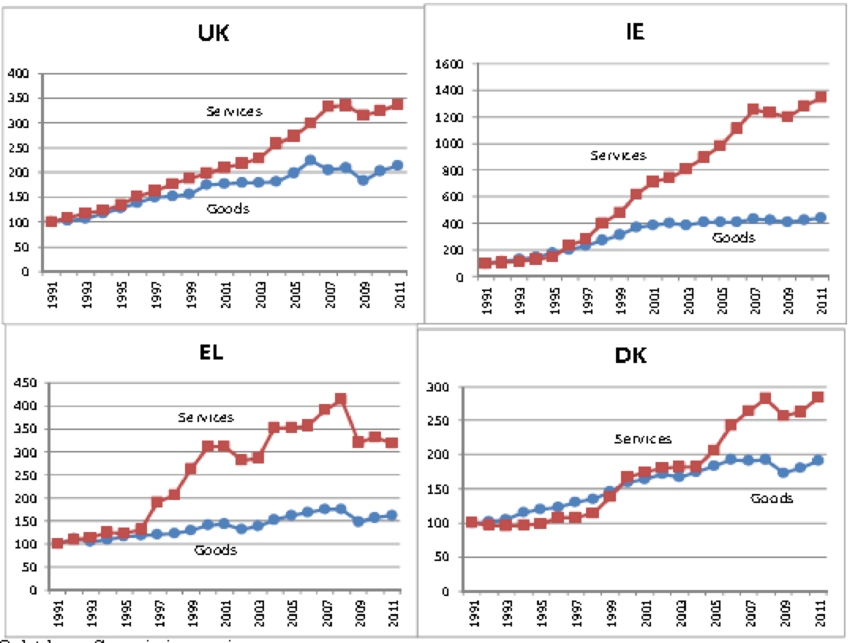
37. The Report on the State of Single Market Integration identifies the following policy priorities that fall under the remit of the Competitiveness Council[2]:

<u>Services:</u>

38. Six years after the European Services directive was agreed, services account for 71% of total EU GDP yet just 3.2% of this is a result of intra-EU trade. Further action is needed to remove unjustified restrictions and improve competition in product and service markets, including in the areas of retail trade, regulated professions, construction, tourism and business services as well as network industries. Despite rules to facilitate the free movement of services, many businesses still have to deal with unreasonable red tape. National rules still sometimes discriminate on the basis of nationality or residence or prevent service providers from elsewhere in the EU from operating on the spurious grounds that there are already enough providers domestically and no ‘economic need' for new ones. These barriers damage the EU's economy, prevents consumer choice and ultimately destroys jobs. In that regard, the Services Directive is regarded as the cornerstone of Single Market integration in the services sector.

[2] Policy priorities for energy and transport markets fall under the responsibility of other Council formations.

Member States like UK, Greece, Ireland and Denmark in particular reflect the growing importance of services in international trade, in financial services, civil construction, transport, environmental services etc.



Source: AMECO database, Commission services.

Member State focus on the following key priorities is suggested:

- o Ensure Member States' legislation is fully compatible with the Services Directive, in particular by complying with all its unequivocal obligations and core principles
- o Adopt a more ambitious approach in the implementation of the Services Directive by:
  - ▪ reviewing the necessity and proportionality of remaining requirements in particular those fixing tariffs for certain professions and those limiting company structures and capital ownership.
  - ▪ conducting a systematic legislative review of the application of the freedom to provide services clause in key sectors of construction, business services and tourism.

The recent and ongoing peer review exercises (in cluster groups) facilitated by the Commission should provide the catalyst for removing remaining unnecessary, unjustified and disproportionate restrictions.

- Assess the justification of the requirements limiting both the access and the conduct of **regulated professions**, including the role of professional bodies, and remove or relax these requirements where they are unjustified. Such assessments should also include a review of the criteria for introducing new regulated professions.
- Strengthen competition in the retail sector by lowering barriers and reducing operational restrictions. In particular, remaining spurious **economic needs tests** should be systematically removed.
- Improve the **Points of Single Contact** to become fully-fledged e-government tools responding adequately to the needs of service providers and recipients. In particular, in order to improve their user-friendliness, the objective should be that the Points of Single Contact cover all procedures during the business life cycle and are multilingual.
- Transpose as early as possible the Late Payments Directive (the transposition deadline for Member States is 16 March 2013).

Digital Markets:

39. Europe still does not have a single market for digital businesses. Creating a Digital Single Market has enormous potential to transform the economic situation, for example, the value added of cloud computing in cutting costs for SMEs and Government. The Digital Single Market Agenda can also add value in relation to the welfare of society and people's lives, e.g. education and life-long learning, and e-health in the context of the EU's ageing population provided measures are taken to improve and sustain consumers and citizens' confidence or trust in using ICT/broadband/on-line shopping etc. and a sufficient level of security is ensured.

40. This also requires action at EU level, where a well-functioning Single Market operating at optimal level can both improve growth potential and contribute to the unwinding of imbalances within the EU. In order to realise its full potential, the development of the Single Market requires ambitious improvements, both by increasing reform efforts at country level, through implementation of growth enhancing and economic and social integration measures in the Single Market Acts I and II and by strengthening enforcement.

Member States should focus on the following key priorities[3]:

- o Ensure the correct application of the E-commerce Directive. Applying harmonised rules on issues such as transparency, information requirements and electronic contracts/invoices will contribute to restoring legal certainty for business and consumers.
- o Ensure timely and correct transposition in national law (due by 13 December 2013) and subsequent implementation of the Consumer Rights Directive to enhance consumer protection and therefore reinforce confidence and trust in the e-commerce sales channel.
- o Increase the availability of user-friendly on-line public services, including through making e-Procurement interoperable and mandatory.

Single Market Enforcement in Key Sectors

41. The State of the Single Market Integration Report includes in annex a table that provides an overview per Member State of the implementation and enforcement of selected key single market Directives. The attached **APPENDIX** is an updated version of this table:

[3] The report also includes other priorities for digital markets which fall under the responsibility of other Council formations.

APPENDIX

INTERNAL MARKET ENFORCEMENT TABLE IN KEY SECTORS - State of play as at 8 January 2013

The 'Better Gouvernance for the Single Market communication' calls Member States:
- to commit to 'zero tolerance' when it comes to transposition of directives, i.e. respecting [1] a transposition deficit target and [2] a compliance deficit target of 0%
- to ensure quick compliance to allow the [3] duration of infringement procedures to be reduced to 18 months on average
- to speed up the process for complying with judgments of the Court of Justice, i.e. [4] achieving full compliance within 12 months on average

		BE	BG	CZ	DK	DE	EE	IE	EL	ES	FR	IT	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK	EU
SERVICES (3 directives)	[1] Number of directives not fully transposed yet	0	0	1	0	0	0	0	0	0	0	0	1	0	1	0	0	0	0	0	1	0	1	0	0	0	0	0	1
	[2] Number of pending infringement cases for non-conformity	0	0	0	0	0	0	1	1	2	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	5
	[3] average duration of pending infringement cases		62.5	74.7		25.5		3.2	30.3	26.2		15.3		74.7		14.3	40.6	3.2	25.4	42.4	74.7			47.1	74.7				25 months
	[4] average duration since Court's judgments								50.5										13.2										2.4 months
FINANCIAL SERVICES (1 directive)	[1] Number of directives not fully transposed yet	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	[2] Number of pending infringement cases for non-conformity	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	[3] average duration of pending infringement cases																												0.0 months
	[4] average duration since Court's judgments																												0.0 months
TRANSPORT (8 directives)	[1] Number of directives not fully transposed yet	1	0	0	0	0	1	0	0	0	1	0	0	0	0	0	0	0	1	0	1	0	1	0	0	0	0	1	2
	[2] Number of pending infringement cases for non-conformity	1	1	1	0	1	1	1	1	1	2	1	0	1	2	1	1	0	0	1	1	1	1	1	0	0	0	1	23
	[3] average duration of pending infringement cases	4.5	30.0	54.4		28.0	30.0	3.2	5.7	20.5	25.1	30.0	5.7	54.4	30.5	54.4	30.0	5.7	5.7	54.4	37.0	13.4	30.0	20.5				10.5	22.5 months
	[4] average duration since Court's judgments								2.0													2.4							0.2 months
DIGITAL IM (1 directive)	[1] Number of directives not fully transposed yet	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	[2] Number of pending infringement cases for non-conformity	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
	[3] average duration of pending infringement cases							3.2			66.3																		2.6 months
	[4] average duration since Court's judgments																												0.0 months
ENERGY (4 directives)	[1] Number of directives not fully transposed yet	1	3	0	0	1	3	0	1	1	1	1	0	1	1	1	0	0	1	1	3	1	1	3	1	3	0	3	3
	[2] Number of pending infringement cases for non-conformity	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	[3] average duration of pending infringement cases	3.6	11.4	3.6		3.6	11.4	15.3	3.6	3.6	3.6	3.6	11.4	3.6	11.4	3.6	3.6	3.6	3.6	3.6	10.1	3.6	8.9	11.1	11.4	11.4		11.4	8.5 months
	[4] average duration since Court's judgments																												0.0 months
OVERALL RANKING		5	21	16	1	8	20	26	25	14	23	7	8	13	23	11	6	3	15	19	27	12	22	18	10	4	1	16	

Legend			
Transposition deficit	0%	> 0%	
Compliance deficit	0%	> 0%	
Pending cases duration	≤ 18 months	> 18 months	
Duration since Court's judgment	≤ 12 months	> 12 months	
Not applicable			
Ranking*	0 target missed	> 3 targets missed	1-3 targets missed

* The overall ranking has been calculated as the average of the ranking obtained for each single indicator

- The transposition deficit measures the number of directives which have not been fully transposed yet. As transposed Directives are indicated those where the MS has declared full transposition and the prima facie examination by the COM of the notified measures and other information provided by the MS has indicated that the transposition could be considered complete or where the prima facie examination by the COM has not been finalised yet.
- The compliance deficit measures the number of Directives against which infringement proceedings for non-conformity are opened
- The pending cases duration is calculated from the date on which the Commission sends a letter of formal notice to the completion of the pre-litigation phase

ERAC opinion on the Annual Growth Survey 2013

1. Introduction

Just like last year, the context of the Annual Growth Survey 2013 (AGS 2013) was set by the economic crisis. The economic situation is very fragile and although precise figures are still missing growth is expected to have contracted or at best been very weak during 2012. There is also uncertainty over the extent to which budgets for future-oriented investments have been safeguarded in 2012.

The AGS 2013 sets out 5 broad policy areas where action is needed to bring the EU back on a growth track. These areas are basically the same as last year. In this respect, the AGS 2013 builds on last year's AGS. As a consequence, most of ERAC's recommendations for last year's Survey are still valid for this year's AGS.

As far as research and innovation performance is concerned, overall EU R&D intensity has increased during the crisis from 1.87% in 2007 to 2.03% in 2011. Total public R&D expenditure has remained roughly unchanged in 2011 compared to 2010 (although a few Member States have raised their R&D budgets significantly[1]). Official figures for 2012 are still missing. European companies have stated their intent to continue to invest more in R&D than in other activities, revealing their awareness of the crucial importance of R&D investments for their competitiveness. However, as companies tend to allocate their global investments on the basis of growth prospects and their investments are also heavily dependent on public R&D investments, the steady increase in business R&D intensity in Europe that we have witnessed between 2007 and 2011 may actually slow down.

[1] In particular the Czech Republic, Estonia and Slovenia.

According to ERAC's annual survey on public investment in R&D[1], public sector research expenditure may also have been stable in 2012, with a number of Member States confirming their intention to prioritise research and innovation in their budgets, as recommended by the AGS 2012[2] and other policy reports. However, this commitment may weaken over time as the crisis continues. At this moment, it is not possible to give a precise figure to the combined result of R&D expenditure in the public and the private sector.

This is where enhanced economic policy coordination through the European Semester cycle can play a role. This process allows a number of questions to be raised, such as: To what extent have last year’s recommendations been taken up? What has happened to research and innovation budgets and expenditures? To what extent have these budgets contributed to fuelling European growth, stabilising the economic and financial situation and spurring structural reforms?

The Commission's Annual Growth Survey helps to see where Europe is going in general, while National Reform Programmes include the policies Member States intend to develop in the context of the Europe 2020 strategy. With the help of more recent information on research and innovation performance and policies, the recommendations could have been adapted in the AGS.

ERAC wishes to comment on the priorities included in the AGS 2013, in particular those impacting on research and innovation. ERAC also wishes to monitor the implementation of priorities it has recommended in previous AGS opinions.

With this in mind, ERAC wants to draw the attention of the Competitiveness Council to a number of observations with a view to reinforcing the research and innovation dimension of EU and Member State policies in 2013 and it would like to recall the recommendations made in 2011 and 2012.

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1 See: Note to ERAC Members: [. . .] Results of the ERAC 2012 questionnaire on R&D investments and policy measures by EU Member States and Associated States (Commission document C6/PV/ 20/09/2012 (revised version of the note of 14/08/2012).

2 Communication from the Commission: Annual Growth Survey 2012 (doc. 17229/11 of 25 December 2011).

2. The European and the national context

A few introductory remarks should be made about research expenditure and research policies in Member States and at EU level before the present opinion will address the main messages of the AGS 2013 and ERAC's response.

a) The most recent data on **R&D-expenditure** date from 2011. Compared to 2010, research expenditure increased in absolute terms. R&D intensity rose from 2,01% to 2,03% of GDP. However, only incidental evidence is available for 2012[1]. This makes it difficult to say anything meaningful about R&D expenditure in 2012 and progress towards the 3% target.

b) 13 Countries have already published their **government research budgets** for 2012, with several large economies among them. The figures show that the total budgets of these governments together is slightly higher than in 2011 (however, the rise may not compensate inflation). **This shows that most countries are intent on safeguarding their futur-related investments**. If this trend will be confirmed when the remaining government budgets become available, it will be good news indeed.

[1] In Belgium, Business Enterprise Research and Development (BERD) is expected to grow by 4% in 2012, which outnumbers inflation, but this picture may by no means be representative of the entire EU (one would have to check figures at national statistical offices in the EU to know what is going on elsewhere).

c) At **European level**, 2012 saw preparations for Horizon 2020 taking off. The Commission also released a Communication including proposals for completing the European Research Area by 2014[1]. The Council adopted conclusions on the Commission's ERA Communication in December 2012[2], "inviting Member States to identify the national reforms and actions needed to achieve the ERA in the context of the Innovation Union, and to present these reforms and their subsequent implementation when reporting on national ERA measures, where appropriate in the 2013 National Reform Programmes". The Council also considered that "achieving the ERA will require monitoring of ERA progress in close connection with the European Semester". It therefore invited the Commission "to develop a robust ERA monitoring mechanism (EMM), in close cooperation with the Member States, based on well-defined indicators for actions and monitoring of ERA policy reforms and their implementation. These indicators should be developed based as much as possible on existing indicators, in close coordination with the relevant process followed by EUROSTAT. Member States will be consulted on the whole process through ERAC". The preparation of the new innovation indicator was yet another important activity in 2012.

d) Policy changes at **Member State level** still need to be examined. In 2012, more countries were given "country specific recommendations" (CSR) for research and innovation then in 2011. ERAC's Mutual Learning Exercise 2013 will look into these recommendations and assess the situation in Member States. The Commission has divided the CSRs into three categories: (1) efficiency of national science bases, (2) innovation strategies articulating supply-side and demand-side aspects, and (3) policies for high-growth innovative enterprises.

1 Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Region - A Reinforced European Research Area Partnership for Excellence and Growth (doc. 12848/12 of 23 July 2012).

2 Council Conclusions on a Reinforced European Research Area Partnership for Excellence and Growth (doc. 17649/12 of 12 December 2012).

3. <u>Main messages of the AGS 2013 and the link with research and innovation policies</u>

This year's Annual Growth Survey has been heavily influenced by the on-going economic and financial crisis in the EU.

The AGS 2013 calls for policies that lay the ground for "future growth and enhanced competitiveness that will be smart, sustainable and inclusive" while ensuring smart fiscal consolidation which safeguards public funding for education, research, innovation and energy. This approach is very much underpinned by the awareness that Europe's credit worthiness largely depends on its capacity to pay back its loans on the basis of its future growth prospects.

The crucial challenge is "to be able to show that our policies are working, that they will deliver results over time and that they will be implemented fairly in terms of the impact on our societies".

The AGS 2013 mainly aims at giving *broad* guidance to Member States (contrary to the Country *Specific* Recommendations, which will be released later on in the current semester). This policy guidance is summarised as "restoring confidence, stabilise the economic and financial situation while carrying out structural reforms".

The AGS 2013 concludes that **the priorities identified in last year's Survey remain broadly valid and that efforts should again be concentrated on the following policy priorities:**

- Pursuing growth-friendly fiscal consolidation
- Restoring normal lending to the economy
- Promoting growth and competitiveness for today and tomorrow
- Tackling unemployment and the social consequences of the crisis
- Modernising public administration.

Since the main messages of the AGS 2013 build on last year's AGS, ERAC's 2013 opinion also builds on last year's AGS opinion.

Each of these policy priorities calls for broad action by national governments. In some cases, research and innovation are at the core of such policy action, although this is by no means always so.

- **Pursuing growth-friendly fiscal consolidation**

  Over a period of only just a few years, the debt ratio has increased from an average of 60% in the Euro area to 90%. Government deficits were at an average of around 6% in 2010 and are expected to be around 3% in 2012 according to the AGS 2013. However, each Member State faces its own fiscal and economic situation. This is why the AGS 2013 advocates different efforts for different countries.

  On the expenditure side of government budgets, the Commission reiterates the importance of investments in education, research and innovation (as well as energy). These areas should be prioritised and strengthened where possible and appropriate.

  ERAC welcomes the continued attention to safeguarding and ─ whenever possible ─ strengthening investments in research and innovation, including various forms of public support to research and innovation such as tax credits, public procurement, public-private partnerships, guarantees and counter-guarantees, support to venture capital, etc. This requires mobilising the full range of funding resources, including structural funds, Horizon 2020, COSME, etc. Hence the importance of reforms that lead to an appropriate policy mix including elements from the entire innovation cycle. ERAC emphasises that these efforts are crucial for progress towards the 3% R&D target, an aim which is firmly enshrined in the Europe 2020 strategy.

ERAC would like to emphasise that it is very difficult or perhaps even impossible at the present moment to monitor the extent to which future-oriented investments have been safeguarded or strengthened in government budgets. Final government budgets (in particular GBAORD[1]) are often published late and do not include elements such as R&D tax incentives, guarantees and counter-guarantees, support to venture capital or pre-commercial procurement.

ERAC calls on the Commission to take initiatives (with the support of ERAC's relevant Working Groups) to review and improve the annual ERAC survey of government research budgets so that they offer a better overview of research and innovation investments, including R&D incentives.

Finally, ERAC calls on Member States to provide the requested information to the Commission in as complete and timely a manner as possible.

- **Restoring normal lending to the economy**
  The AGS 2013 also focuses on the effects of the crisis on investors and lenders. It draws attention to severe funding problems for many borrowers as well as to the fragmentation of the financial system along national borders. The Survey summarises the measures taken so far to overcome these problems and lists a number of initiatives that can be initiated at national level.

  ERAC would like to point to the importance of effective instruments to leverage private financing for research and innovation, as well as measures to overcome barriers to the take-up of financing instruments by small and medium-sized enterprises.

1 GBAORD: Government Budget Appropriations or Outlays for Research and Development.

- **Promoting growth and competitiveness for today and tomorrow**
  The AGS 2013 also analyses the consequences of the crisis. Most traditional sectors are hit very hard by the crisis and many newer ones find it difficult to keep their position. The AGS insists that proper framework conditions need to be in place to stimulate innovation, increase the performance of education, improve the business environment and allow for tapping the potential of the green economy. Member States are invited to improve the implementation of the Services Directive and increase the performance of network industries. These framework conditions are crucial to research and innovation. The single market in general should continue to be developed, in particular in the field of research and innovation.

  ERAC welcomes the progress achieved in implementing the Innovation Union Flagship initiative and in putting in place the necessary policy framework for innovation at EU level. ERAC invites the Commission to complete the implementation of the Innovation Union Flagship and in this context it welcomes work on the new innovation indicator. ERAC will carefully analyse the policy implications of the results of the new indicator.

  ERAC would also like to recall the importance of completing the European Research Area in order to improve the conditions for driving research investments, research excellence and innovation. In particular:

  - **Member States are invited to examine which national reforms and actions are needed to achieve ERA, as well as to adapt existing rules and regulations if necessary;**

- **The Commission is invited to give greater prominence to understanding the obstacles to the completion of ERA and to analyse both the results of the survey on ERA, as well as the survey itself. The Commission is also invited to interact with ERAC on the development of the ERA Monitoring Mechanism (EMM) and on the ERA progress reports that the Commission will prepare together with Member States and ERAC, the first one of which is due in September 2013.** [1]

ERAC considers that the European Research and Innovation Observatory, which the Commission is in the process of setting up, should be designed in such a way as to contribute effectively to greater knowledge of national research and innovation systems and policies. The Observatory should also take account of existing monitoring mechanisms such as the Innovation Union Scoreboard and the measuring activities of EUROSTAT.

ERAC invites Member States to set up or use existing national foresight instruments in order to underpin priority setting, including those set up by the Commisssion in the context of the European Forum on Forward Looking Activities (EFFLA).

[1] See Council Conclusions on a Reinforced European Research Area Partnership for Excellence and Growth of 11 December 2012, Paragraph 31.

- **Tackling unemployment and the social consequences of the crisis**

  The number of unemployed has risen dramatically. The EU unemployment rate stands at over 10%. The enormous differences between Member States that are hidden behind by this average are a particular cause for alarm. The AGS 2013 makes a number of recommendations for a job-rich recovery, including recommendations to increase the employment rate of young and of poor people.

  ERAC would also like to draw attention to the increasing risk of shortages of skilled labour, particularly in knowledge-intensive industries and activities, and to the role of research and innovation – in particular institutions for higher education ─ in meeting the demand for knowledge-intensive skills. The research and innovation system, which is equipped with means to popularise science with young people through awareness programmes, also supports promoting the take-up of science and maths subjects by young people in education, thus contributing to maintaining the pipeline of new researchers and innovation leaders.

  ERAC stresses the importance of instruments that support commercialisation, technology start-ups etc. to create new high value-added jobs, such as through initiatives and measures aimed at reinforcing the links between universities and business and promoting networking and clustering among them.

- **Modernising public administration**

  The AGS 2013 notes that the squeeze on public finances creates a momentum for modernising public administration. This is generally in line with previous ERAC discussions relating to the completion of ERA and the modernisation of universities and research institutions[1].

[1] See for instance the ERAC Opinion on the Modernisation of Universities (doc. ERAC 1211/11 of 23 June 2011).

ERAC draws attention to the importance of research for modernising public administration: research may strengthen evidence-based policy making and improve public service innovation.

ERAC welcomes initiatives taken to implement last year's recommendation on modernising universities and research institutions.

ERAC highlights the importance of efficiency and effectiveness of public investments in research and innovation. Particular attention should be given to developing more effective research funding systems in Member States.

ERAC wishes to express its commitment to the implementation of Europe 2020 and will remain actively involved in the follow-up to the Annual Growth Survey 2013 and future European Semesters. The Committee will also look at the progress of policies it has recommended in its opinion. Member States will be invited to report on progress by the end of 2013.