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NOTE

from:	Presidency
to:	Council
Subject:	Implementation of the European Semester - Synthesis report

Delegations will find attached the synthesis report prepared by the Presidency on the discussions and the main political messages of the different Council configurations in relation to the 2013 European Semester.

PRESIDENCY SYNTHESIS REPORT

Introduction

This report synthesises the results of discussions within the Council regarding the Commission's Annual Growth Survey 2013, and the implementation of agreed reforms at national level. It also draws on the bilateral meetings that took place in January - February 2013 between the Commission and Member States reviewing progress on country-specific recommendations . The country-level analysis will be further refined throughout the next stages of the European Semester. This report gives a first indication as to the achievements and gaps in implementation of reforms across EU Member States.

As the European semester exercise reaches maturity and the challenges that Europe faces remain acute, the focus has to be placed firmly on implementation of agreed measures by all Member States. The EU needs to ensure effective delivery of efforts along the five priorities set in the AGS: differentiated, growth-friendly fiscal consolidation, restoring normal lending to the economy, promoting growth and competitiveness, tackling unemployment and modernising public administration. The Annual Growth Survey shows that progress has been made in a number of areas, but much remains to be done. Pursuing with the reforms is necessary in order to enhance the conditions for long-term growth. While implementing the agreed guidance, the available margin of manoeuvre has to be effectively used to promote growth and employment in the short-term.

- In view of the challenges arising from the fragile economic situation, the commitment to *differentiated, growth-friendly fiscal consolidation* must remain strong. All Member States should respect their commitments under the Stability and Growth Pact and ensure the correction of any excessive deficits in accordance with agreed timetables. There is also a need to prepare for the longer-term in particular as regards pension systems where reforms undertaken or ongoing often do not guarantee long-term-sustainability. Despite agreed recommendations, there has only been limited progress on - and in some cases even limited commitment to - shifting taxation away from labour, in particular from low-paid - this course has to be addressed. Efforts also have to be pursued to improve tax collection and efficiency of tax administration.
- Efforts are ongoing since the beginning of the crisis to *restore normal lending to the economy*. While much has been achieved in stabilising the financial sector, challenges remain notably to ensure access to finance for SMEs. In some countries, more actions are still called for to address the interrelated issues of household indebtedness and housing markets.
- The strong political commitment to *promote growth and competitiveness* still needs to be translated into more concrete actions even when these go against vested interests. Well designed structural reforms are essential to accompany job creation and to complement labour market reforms and encourage actual job creation. Wage-setting systems should be better geared to align wages with productivity. More ambitious reforms should also be undertaken as regards the services sector, in particular regulated professions, to ensure that they are not subject to unjustified restrictions within the Internal Market. Member States should ensure that investments in infrastructure, in particular for key network industries, are sufficient to support the wider growth strategy.

- Much of the recent debates have - rightly - focused on *tackling unemployment and the social consequences of the crisis*. While Member States have sought to promote labour market participation, more efforts remain necessary. Reforms of active Labour Market Policies, in particular targeting the youth, the long-term unemployed and the low-skilled need to be speeded up and be more vigorously implemented while ensuring value for money. The effectiveness of Public Employment Services remains an issue and should continue to be enhanced. Family policies have not been sufficiently targeted to increasing female labour participation rates and related services remain insufficient, calling for resolute action. There is also a need to pursue education reforms to ensure that both tertiary and vocational education respond to current and future labour market needs. At the same time, education systems have to pay more attention to disadvantaged youth, also with a view to the Europe 2020 target on early school-leaving. Finally, while social security reforms have contributed to fiscal consolidation and labour market participation, some Member States should do more to ensure that social security system effectively address poverty and social exclusion.
- *Modernisation of public administration* should be pursued to ensure the right framework conditions for recovery and growth. The focus of these efforts depends on the Member States but reduction of administrative and regulatory burden, measures to improve the business environment, e-Government, absorption of EU funds, and the efficiency of the judicial system are among the areas to be addressed.

Member States work should also incorporate the efforts that respond to the commitments made under the Euro Plus Pact.

With the growing importance of the European semester, its inclusiveness has to be better ensured both at the national and the European level. Social partners have important expertise and responsibilities in the areas covered by the semester. The role of parliaments merits particular attention to ensure democratic legitimacy of the process. In this regard, attention is drawn to the views of the European Parliament on the 2013 European semester as set out in three resolutions it adopted on 7 February 2013 on, respectively, the Annual Growth Survey (2012/2256(INI)), the employment and social aspects in the Annual Growth Survey (2012/2257(INI)) and on recommendations to the Commission on the governance of the Single Market (2012/2260(INI)). The Members of the European Parliament also met with national parliamentarians from 28-30 January 2013 in Brussels to debate the European Semester and issues arising from this year's Annual Growth Survey.

Economic and financial affairs

The ECOFIN Council discussed in its 22 January and 12 February 2013 meetings the Annual Growth Survey, adopting in the latter meeting conclusions on the matter after these had been prepared by the Economic and Financial Committee (doc. 5809/1/13 REV 1). The same meeting adopted conclusions on the Alert Mechanism Report (doc. 5810/13).

As confirmed in these conclusions, the continued focus on the five priorities identified in the 2012 AGS were agreed by all Member States and the debates point to a broad convergence of views on the topic.

Concerning the economic situation, delegations underlined that the growth and debt challenges confronting the EU economy continue to be serious. The main priorities at the current juncture are improving confidence and reviving economic growth, ensuring debt sustainability and improving competitiveness, and creating conditions for sustainable growth and jobs in the longer-term.

As regards the euro-area, it was agreed that euro area Member States are in a specific situation due to their stronger financial and economic inter-linkages and the resulting spill-over effects. Prerequisites for growth and adjustment include to continue on the path of fiscal consolidation and structural reforms and reverse financial fragmentation, improve financing conditions for investors, especially in the vulnerable countries and encourage the inflow and efficient allocation of capital to support adjustment.

On the priority of pursuing differentiated growth-friendly fiscal consolidation, delegations considered that sound and sustainable public finances are an essential prerequisite for market confidence and macroeconomic stability, and hence for growth. Fiscal adjustment has to continue along the path of a differentiated growth-friendly consolidation strategy, also in view of high debt levels and medium to long-term challenges to public finances. Member States also emphasised that there is a need to devise an overall growth-friendly mix of revenue and expenditure, with targeted measures within the overall fiscal strategy to protect and if possible strengthen key growth drivers and essential social safety nets while increasing the efficiency and the effectiveness of spending.

Delegations agreed on the importance of restoring lending to the economy, in particular to SMEs, as part of the economic recovery and to safeguard potential growth rates. In this regard, it is important to complete the cleaning up of banks' balance sheets, including for non-performing loans, rebalance companies' traditional dependence on bank financing through considering alternative sources of financing, and remove market failures and other obstacles to access to finance by SMEs, consistent with the need to preserve financial stability.

As regards the priority of promoting growth and competitiveness, delegations acknowledged that, in the current economic circumstances, it is crucial that fiscal consolidation and restoring financial stability go hand-in-hand with well-designed structural reforms. These should aim at promoting sustainable growth, competitiveness and a sustained correction of macroeconomic imbalances through productivity increases and strengthening the adjustment capacity of the economy as well as reducing distortive tax reliefs that promote excessive indebtedness. Delegations also focussed on the issue of high and rising unemployment and the need to introduce reforms to make labour markets more inclusive, flexible and dynamic thereby providing for a job-rich recovery.

Delegations also elaborated on mobilising EU level growth drivers. They referred to the conclusions of the October 2011 European Council which call for steps to be taken by the Council to ensure that actions at the EU level fully support economic growth and job creation, contribute to reduce disparities between regions, as well as support and complement actions at the national level. This is to be ensured, in particular, through the full implementation of the “Compact for Growth and Jobs” adopted by the European Council in June 2012. The EU budget should, through appropriate prioritisation and within agreed ceilings, focus on smart, sustainable and inclusive growth, jobs and competitiveness. The delegations also welcomed the Commission’s emphasis on the Single Market Act I and II as well as the Digital Single Market.

Delegations also discussed the Alert Mechanism Report for 2013 which identifies 14 Member States warranting further analysis in in-depth reviews, on the basis of which any imbalances and their severity may be identified. Delegations welcomed the positive signs of rebalancing, supported by gains in competitiveness and significant structural reform across Member States but emphasised that there is a need to maintain the good progress.

In the ECOFIN Council meeting of 5 March 2013, delegations adopted Conclusions on the Quality of Public Expenditure in the EU, which addresses two of the important priorities identified in the Commission's 2013 AGS – the growth-friendly composition of consolidation measures and increasing the efficiency of government expenditure through public administration reforms (doc. 6728/1/13). The conclusions have three aims: i) Engage Member States in dialogue, including peer reviews and sharing good practices on selected issues, ii) Strengthen the European Semester by creating priority for the EPC, drawing on all available expertise, and Commission to carry out further work in reviewing budgetary processes and practices with the aim of achieving efficiency gains in the public sector and, iii) to improve the data used by Member States by encouraging them to improve their reporting and the availability and dissemination of data.

Employment, social policy, health and consumer affairs

In the framework of the European Semester, the Council (EPSCO) held an extensive policy debate on 28 February 2013 on priorities for action in the areas of employment and social policies.

Ministers' interventions highlighted concern over the current crisis situation whilst acknowledging the significant role of the European Semester process in supporting the difficult structural reforms that Member States are undertaking and/or implementing.

Ministers stressed that the crisis continues to put strain on social protection systems, increasing the risk of poverty and social exclusion. Reforms remain necessary and should set the right incentives to make work pay whilst ensuring a stable social security system. Whilst there is broad agreement that the implementation of fiscal consolidation measures leading to healthy public finances is to continue, some Ministers stressed that growth is needed to fight unemployment and that the economic upturn has to be job-rich and social concerns must be duly taken into account.

Delegations broadly supported the valuable role that the European Semester process plays. The monitoring of the implementation of country-specific recommendations, multilateral surveillance, the exchange of experiences and best practices and peer reviews stimulate debate and peer pressure, thereby providing direction that helps create the necessary momentum and acceptance of reforms. These measures are very demanding and impose a heavy burden, but are also essential for ensuring well-functioning labour markets and sustainable and efficient social protection systems. Some Ministers pointed out that, although the Semester process has significantly reinforced the framework for coordinating employment policies developed under Article 148 TFEU, there is still room for further improvement. Others also recalled the need for legitimacy and ownership of the process, as well as, where appropriate, the inclusion and involvement of the social partners and other stakeholders.

Ministers described the employment and social policy measures taken and reforms carried out or under way in their respective countries, focusing in particular on the need to increase the participation of women in the labour market as well as on the need for pension and labour market reforms. Women represent an untapped resource for growth in Europe and female employment also offers protection against the risk of poverty. Yet women continue to face barriers to their entry into the labour market and entrepreneurship. To improve the situation, action on a broad front is needed, including the following: education, training and lifelong learning policies conducive to women's employment and entrepreneurship; measures to support the reconciliation of work and family life, including flexible working arrangements, parental and maternity leave and affordable childcare; the introduction of fiscal incentives for women's employment; and measures to close the gender pay gap. On pension reform, Ministers underscored the need to ensure a balance between financial sustainability and adequacy, pension systems having an important role to play in ensuring adequate income in old age. Reforms undertaken or to be undertaken aim at countering the demographic challenge by adapting pensions to life expectancy, *inter alia* by raising the retirement age. Labour market reforms have combined flexibility with job security, and ultimately aim at job creation as the key instrument to avoid poverty.

In the framework of this debate, the EPSCO Council adopted the 2013 Joint Employment Report and Council Conclusions on the basis of the Annual Growth Survey (doc. 6462/13), providing political guidance for employment and social policies in 2013. It also reached a general approach on the 2013 Employment Guidelines (doc. 6509/13), which should form the basis of any country-specific recommendations that the Council may address to the Member States under Article 148 TFEU.

Competitiveness

The Competitiveness Council held a policy debate in the framework of the European Semester and based on the Annual Growth Survey 2013, on Research on 18 February and on Industrial Competitiveness and Internal Market on 19 February 2013.

Research

Ministers agreed on the need to keep Europe on the forefront of technological development and market innovation. In this respect Ministers raised a range of policy recommendations as drivers for research and innovation, and generally underlined the importance of implementing the commitments of the Innovation Union strategy and of giving greater prominence to the removal of obstacles with a view to completing the European Research Area.

Ministers underlined the importance of strengthening investments in research and innovation, including various forms of public support to research and innovation such as tax credits, public procurement and support to venture capital. On the other hand, use of effective means 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 was seen as equally important;

Public Private Partnerships were considered as a valid tool to incur private investment in research and translate research results into marketable products and services. Many ministers however emphasized that the rules and structures of PPPs as well as the transparency of the procedures should be reviewed in order to make them more appealing and simple to work with, especially in view of SME participation.

An important role has been attributed to initiatives that support commercialisation of research results and the development of technology start-ups in order to create new high value-added jobs, including those measures aimed at reinforcing the links between universities and business and promoting the formation of innovation clusters. The importance of the right market framework, networking and joining of universities with businesses were mentioned by many ministers in that respect.

While it is important to scan the horizon for new market developments and give specific focus to key enabling technologies, many ministers underlined that a long term approach should not be forgotten and in this respect, basic research has an important role to play.

Internal Market and Industry

Ministers agreed on the importance of a proactive industrial policy that will enhance the EU's competitiveness at global level and of sticking 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.

Generally, Ministers agreed on the need to facilitate access to finance, access to markets, and opening the European market while safeguarding its export interests. They considered it important to look at a renewed industrial policy with broader perspective including other policies (trade, environment, R&D, cohesion, energy and state aid).

Several Ministers stressed the increasingly important role of global value chains for EU industry. This 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. The need to focus on those sectors that have most potential, such as Key Enabling Technologies was also mentioned. Particular emphasis should be put on enabling SMEs to have access to global markets, in order to reap the potential of fast growing new markets and technologies.

The Commission's ambition to have 20% of GDP in the EU to come from industry by 2020 was supported by some Member States.

Ministers welcomed the fact that, 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 fully reap 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 the identification of bottlenecks and shortcomings of the current situation and provide guidance to remedying them.

Concerning the removal of remaining barriers in the services sector - which is considered to be key for Europe's recovery- there was broad support for the proposed peer review system and the further development of the Points of Single Contact in order to make use of the sector's full potential. All Ministers supported further strengthening of Single Market governance, notably by highlighting the usefulness of the Internal Market Information system and SOLVIT.

Ministers emphasised the importance of regular stock-take of progress in the field of internal market legislation, in particular proposals under Single Market Act I and II and called for their speedy adoption.

Telecommunications

The TTE (Telecommunications) Council held a policy debate on the Europe 2020 strategy on 20 December 2012, addressing both the Annual Growth Survey 2013 and the Mid-term review of the Digital Agenda for Europe flagship.

Ministers welcomed the publication of the first report on the State of the Single Market as part of the Annual Growth Survey package and agreed on the need to pursue the policy priorities it proposes for the Digital Single Market for it to best contribute to growth and jobs in Europe. They highlighted in particular the need to step up efforts for broadband deployment and improvement of its quality, ensure the correct application of the E-commerce Directive, increase the availability of user-friendly on-line public services and invest in ICT training.

When addressing the next steps proposed by the Commission for the Digital Agenda flagship, Ministers further elaborated on the necessary actions for the above objectives. Concerning broadband, the importance of appropriate and diversified funding for deployment of fixed and wireless broadband and access to it was put forward, as was the means to reduce broadband costs. On e-commerce, Ministers elaborated on the actions required to establish trust e.g. in relation to data protection and e-identification, acknowledging the priority to be given to the proposal for a Regulation on e-identification and trust services under the Single Market Act I. Regarding ICT training, it was recalled that digital skills have to be built up both in the technical and in the legal field.

Other priorities proposed by the Commission for the Digital Agenda review also gained support. Emphasis was put on awareness-raising on digital technologies and mainstreaming digital in all sectors. In particular, Ministers acknowledged the inter-linkages between Research and Development and the competitiveness of the ICT sector, and the economy as a whole, following increased use of ICT. The importance of cloud computing, especially for SMEs, was highlighted, and the need for an EU legal framework raised. The Commission was also invited to reflect on an appropriate regulatory framework for the convergence of web-television-telecoms. The need for improved spectrum management and freeing frequencies for wireless and mobile applications, was also shared. In relation to the development of a market for content, copyright issues were highlighted by several delegations. Finally, the issues of cyber-security and use of public sector information were brought up.

Good progress is being achieved on many aspects of the Digital Agenda, and the debate allowed Ministers to present the steps taken at national level. However, as noted in the Annual Growth Survey, more needs to be done to address gaps and inconsistencies among Member States in particular on enforcement and the role of regulators. Moreover, many of the initiatives proposed by the Commission for the Digital Agenda flagship are of a non-legislative nature, based on direct interactions with operators. This calls for stronger political commitment at the national level.

Transport

In the margins of the TTE (Transport) Council of 20 December 2012, ministers debated over lunch the potential of the transport sector as a convergence platform towards energy and telecommunications infrastructures, to provide their contribution to the discussions within the Council on the Annual Growth Survey 2013.

The discussion confirmed the significant potential of an interconnected Europe to boost growth and jobs through exploitation of synergies between transport, telecommunications and energy.

To make use of this potential, sufficient investment should be maintained despite current budgetary constraints. Ministers acknowledged the need for innovative financial instruments and the important role that the European Investment Bank can play in building interconnected infrastructures. They also agreed on the need to analyse the test phase of project bonds, some calling for a thorough evaluation, others putting the emphasis on a swift analysis so as to be able to profit from the expected leverage effects while ensuring continuity between the test phase and a full roll-out. Furthermore, ministers warned against a fragmented approach to building European infrastructures and recalled the leading role that the proposed Connecting Europe Facility can play in this context. The respect of a three step approach to infrastructure financing was also recalled by some: first option being market financing, the second - needed in cases of market failure - the adaptation of the regulatory framework, public financing being the last option.

The debate also allowed the identification of areas that require special attention. These include densely populated and urban areas with high mobility and service needs such as parcel delivery. These areas also play a key role for national GDP. Some ministers also recalled the great potential of a interconnected Europe for scarcely populated areas.

The European Innovation Partnership on Smart Cities and Communities, which cuts across the areas of energy, transport, information and communication, as well as the E-motion project which focuses on alternative transport modes such as electric or hybrid cars were raised as examples of relevant synergetic initiatives. The E-motion project is also linked to the broader issue of contribution that electric mobility can make towards an interconnected Europe.

Energy

The TTE (Energy) Council facilitated an exchange of views on the Annual Growth Survey in its 22 February 2013 meeting, based on written contributions from Council members.

As regards the main obstacles to the achievement of Europe 2020 energy objectives, delegations noted the lack of energy infrastructure and the bottlenecks. They also highlighted problems arising from regulatory uncertainty in the short term, for example with respect to biofuels, and in the longer term, i.e. lack of a predictable policy framework beyond 2020. Possible inconsistencies between different bodies of law, e.g. energy and environmental protection, were also mentioned. Further obstacles raised related to access to financing, notably for renewable energy, and a not yet fully functioning internal energy market. Some delegations noted that not enough is being done to diversify routes and sources, particularly for gas.

More specifically as regards renewable energy, a number of factors still hinder its development, such as the cost structure for energy generation as compared to fossil fuels, barriers to entry, uncertainty around the carbon price and the ETS, unpredictability of support policies, integration in the internal energy market, and availability of storage capacity and back-up power. Concerning energy efficiency, the factors adversely affecting its development were considered to be more practical than regulatory and include inadequate information and financial incentives, low profile of energy efficiency, and inadequate implementation of existing legislation.

Delegations identified a number of energy measures to be prioritised on the basis of their potential for growth and competitiveness. In general, they called for putting the focus back on competitiveness and approaching energy policy from an industrial strategy perspective. They underlined that more concerted efforts, both political as well as regulatory, are needed in the context of the Third Energy Package, to complete the Internal energy market, notably as regards market coupling and network codes, unbundling, and congestion management, also paying attention to interconnection with third countries. Delegations also emphasised the importance of a stable and clear regulatory framework in a post-2020 perspective as well as investing in infrastructure, notably for cross-border exchanges of energy. EU financial instruments should be made use of to facilitate access to capital at comparable terms across the Union.

Some delegations pointed to the need to modernise transmission and distribution infrastructure and develop smart grid systems, noting also the opportunities presented by smart grid technologies in terms of contributing to grid stability and increased involvement of the consumer through demand side management.

Delegations underlined that the innovations and investments contributing to clean technologies and the transition to a low-carbon society should be prioritised across the board. These include activities and products linked to energy efficiency such as paying proper attention to the full implementation of the wide body of legislation in this field and the means to promote energy efficiency such as incentives. The link between energy efficiency promotion and energy poverty and vulnerable consumers should also be addressed. The further development of renewables should include ensuring their sound financing and clarifying the use of the cooperation mechanism under the directive on promotion of renewable energy (Directive 2009/28). In general, investments are needed, through the SET Plan, in Research and Development of carbon-neutral technologies. Some delegations also suggested that transition to low-carbon economy be supported through a revised energy taxation Directive

Council conclusions of 3 December 2012 on renewable energy (doc. 16205/12) and views expressed in the Council's 3 December 2012 discussion on progress made and efforts needed regarding the orientations set by the European Council in February 2011 further elaborate on energy-related priorities.

Environment

The Environment Council held an exchange of views on "greening" the European semester on 17 December 2012.

Ministers supported giving environment and climate policies a priority in the European semester, and favoured their better integration in economic decision-making and other policies, notably energy, agriculture and transport. In particular, some ministers called for a more structured integration of environmental priorities in the European semester process, for example by making the discussion on the European semester in the Environment Council a regular exercise and by addressing progress on green growth in the Annual Growth Survey.

Several ministers pointed to the need for more green investments, in particular in infrastructure supporting the transition to a green and low-carbon economy and for maintaining the level of environmental investment at EU and national levels was identified as essential for sustainable growth. The need to reserve at least half of the income from CO₂ emission auctions to green infrastructure investments was raised in this context. Problems of access to public funding, either because of state aid rules or because of national policies of fiscal consolidation, were also mentioned..

Ministers agreed on the growth and jobs potential of greater resource efficiency and the green economy. Amongst the most supported measures were: phasing out of environmentally harmful subsidies, moving from labour to environmental taxation, particularly on fossil fuels, actions to foster recycling of waste, better resource and materials management, energy efficiency, investments in energy savings, support to innovation in enterprises, applying extended producer responsibility schemes, and better information to consumers via awareness raising.

In this context, ministers acknowledged the value of the low-carbon, resource and energy efficiency roadmaps.

The importance of public administration and its capacity to integrate resource efficiency into a wider spectrum of policies was also mentioned, along with an emphasis on green procurement and better regulation.

At European level, the need to develop green growth indicators and standards and the need to promote information exchange and coordination of best practices were raised. While some ministers brought up the need for new policy targets, others underlined that any new target should be justified with thorough impact assessments taking account of the specificities of Member States and vulnerable groups in the society.

Education

The EYCS Council (Education) held a policy debate on Education and Skills for Jobs, Stability and Growth : Europe 2020 and the Annual Growth Survey on 15 February 2013 and adopted conclusions on Investing in education and training - a response to *Rethinking Education: Investing in skills for better socio-economic outcomes* and the 2013 Annual Growth Survey (doc. 6117/1/13).

Ministers endorsed the key message at the heart of this year's Annual Growth Survey that investment in human capital has a vital role to play in tackling Europe's economic problems. However, they recognised that skills gaps, deficiencies and mismatches are holding Europe back from achieving its full potential in job creation, and that more needs to be done to adapt education and training systems to reflect labour market needs.

Ministers considered that the right balance had to be struck between the need to take *immediate short-term action* to help our citizens - in particular the alarmingly high number of young unemployed people - to find employment through equipping them with the specific skills demanded by the current labour market, and the *long-term process* of undertaking the more fundamental reforms needed to enhance the capability of our education and training systems to promote relevant, high quality and equitable outcomes for the next generation, so that Europe's workforce has the right skills to ensure the continued prosperity of the continent in the dynamic and increasingly competitive global economy of the 21st century.

The debate highlighted the extent of the challenges for the education and training sectors in the Member States. China and other emerging industrialised economies are investing heavily in their own skills base, with the numbers of skilled graduates from China predicted to outnumber those from the US and Europe combined by 2020.

A further challenge is to be able to anticipate the skills that will be needed in the future, given that many of the jobs that today's children will perform in their adult lives simply cannot yet be envisaged, such is the pace of technological change.

Many ministers highlighted the key importance of pedagogy - high quality teaching - as the key determinant of a performing education system. There was broad support of the need to modernise teaching methods, harnessing the latest technology, but without sacrificing the focus on the basic skills of literacy and numeracy.

Creating stronger links between business and the education sector at all levels and providing for more work-based learning were recurrent themes, and many Member States mentioned as a key priority the importance of improving the status and quality of vocational education and training, and considered that this should be valued as highly as general or higher education.

Ministers representing Member States which regularly perform well in international surveys attributed their success largely to an ability to "get the basics right", i.e. to ensure the acquisition of basic skills as a foundation for later learning, but also stressed the need to develop good communication and social skills.

Finally, there was broad agreement that in today's world "average" was no longer sufficient and that education and training systems therefore needed to promote excellence at all levels.