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NOTE

from:	Presidency
to	Working Party on Competitiveness and Growth (High Level)
Subject:	Presidency Note on the European Semester 2013

In preparation of the meeting of the High Level Group on Competitiveness and Growth on 3 June 2013, delegations will find attached the Presidency Note: " European Semester 2013: Proposal by the Commission on Country Specific Recommendations (CSRs) - Member States' views on the CSRs in relation to Single Market issues and other policy areas under the competence of the Competitiveness Council".

PRESIDENCY NOTE

European Semester 2013:

Proposal by the Commission on Country Specific Recommendations (CSRs) - Member States' views on the CSRs in relation to Single Market issues and other policy areas under the competence of the Competitiveness Council

Introduction

1. The Presidency wishes to recall the views expressed on the Commission's Annual Growth Survey by the High Level Group (HLG) on Competitiveness and Growth on 1st February 2013 and the subsequent discussion and deliberations by Ministers at the Competitiveness Council meeting on 18th and 19th February 2013. In that regard, the exchange of views was structured in accordance with a Presidency document (5894/13), which contained the opinions of the High Level Group on Competitiveness and Growth and of the European Research Area Committee (ERAC). Ministers raised a full range of policy recommendations as drivers of growth, investment, innovation and job creation, which included:
 - continued support for small and medium-sized enterprises (SMEs), access to finance and the entrepreneurship agenda,
 - support for the external competitiveness of EU companies;
 - rapid completion of the Single Market Act (SMA) I and moving forward with the SMA II initiatives;
 - maintenance and strengthening of the EU's industrial base;
 - pressing ahead with the implementation of the Services Directive, the digital single market and the e-Government initiatives;

- 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 and support for venture capital;
 - using 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 SMEs;
 - implementing the commitments of the Innovation Union strategy and giving greater prominence to the removal of obstacles with a view to completing the European Research Area;
 - preventing the risks of shortages of skilled labour;
 - promoting 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.
2. The Presidency also included, for discussion, a Report on the State of Single Market Integration, which was, for the first time, presented by the Commission as part of the AGS 2013 package. This approach forms part of a regular stock-take of progress in implementing Single Market legislation and in driving new growth-enhancing measures. The discussion also enhanced the Competitiveness Council's role and the input of the HLG in monitoring and providing political guidance on such measures.
3. According to the Commission's Spring forecast 2013, the EU economy is projected to return to growth in the second half of 2013. For 2014, economic activity is projected to expand by 1.4% in the EU and 1.2% in the euro area. However, this forecast remains based on the assumption that continued policy implementation will prevent a renewed intensification of the sovereign-debt crisis. High levels of unemployment in some Member States are affecting social cohesion and it is more challenging to maintain the continuation of both social and economic progress.

4. The forecast also notes that the projected recovery of economic activity is expected to be too slow to reduce joblessness. Unemployment is forecast to reach around 11% in the EU and 12% in the euro area in 2013 and to stabilise at these levels in 2014 but differences across Member States will remain very large. Therefore, it is essential that Member States maintain their structural reform momentum.

Country Specific Recommendations and relevant structural reforms

5. While the EU has made good progress in upgrading its macroeconomic governance structures, the policy coordination and governance architecture for microeconomic issues remain weak. In fact, essential structural reforms were postponed during the previous period of growth for many Member States. European citizens are expecting decisions on growth policies which complement the austerity measures caused by the urgent need for fiscal consolidation and banking stabilisation/resolution.
6. 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, finance investment, 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, and more efficient and more competitive public procurement procedures. In this context, Member States have submitted their National Reform Programmes and their stability or convergence programmes and the results of the Commission assessment are scheduled to be presented on 29 May 2013 together with proposals for country specific recommendations to be endorsed by the European Council.

In an indicative calendar for the preparation of the European Council meeting in June 2013, the Economic Policy Committee (EPC) has identified general structural policies falling under the Broad Economic Policy Guidelines and the Macroeconomic Imbalance Procedure (MIP). A number of these policies fall under the competence of the Competitiveness Council, in particular:

- Competition in services and product markets (market access; regulated professions)
- Better regulation
- Modernisation of public administrations, incl. public procurement.

7. In addition, as agreed by Heads of State or Government at the European Council in December 2012, a number of issues on deeper integration of the EMU, including ex ante policy coordination and the idea of contractual arrangements coupled with solidarity instruments, has been further examined by the Competitiveness, Ecofin and Epsco Councils and a synthesis report will be provided by the European Council President at the June European Council. In general, the Competitiveness Council considers that there should be a better balance between the concerns of the macro-economy and those of the micro-economy in the context of the European Semester process and the Country Specific Recommendations (CSRs).
8. According to the Commission analysis for the 2012 European semester, the new economic governance of the EU is beginning to work, helping Member States to focus on essential reforms that will deliver sustainable growth and jobs. It is also evident, however, that Member States are not always choosing the most growth-friendly paths in their fiscal consolidation decisions. Overall there is a need to give more prominence and urgency to growth measures in the coming twelve months, while continuing with fiscal consolidation and stabilisation of the financial sector.

9. In order to address these issues it is useful to recall the CSRs for 2012 which were addressed to the Member States. In 2012, CSRs were addressed to 23 Member States. For Ireland, Greece, Portugal and Romania, the only recommendation was to continue to implement existing commitments under EU/IMF financial assistance programmes. More specifically, CSRs addressed to Member States in the policy areas of the Competitiveness Council related to the following:

- Competition and State aids (*competition law reform/ strengthen competition in the network industries/ effective enforcement of state aid rules*).
- Regulated professions (*remove restrictions on access to liberal professions/ Open up the provision of professional services/ Pursue efforts to remove unjustified restrictions on regulated trades and professions*)
- Services (*Remove unjustified obstacles in services markets*)
- Retail sector (*lowering barriers and reducing operational restrictions/ remove unjustifiable restrictions on the establishment of large-scale retail premises*)
- Modernisation of public administrations (*incl. public procurement, better regulation/ opening the municipal and regional procurement of services to competition/ ensure competition neutrality between private and public undertakings/ Further shorten the length of judicial proceedings/ improving bankruptcy procedures*)
- Improve access to finance for SMEs
- Enhance financing of research and innovation (*ensure an innovation-friendly business environment and improve commercialisation of innovative products and the development of new technologies*)

10. In the light of the overall context described above and having regard to the presentation by the Commission of the CSRs for 2013, the Presidency invites the High Level Group to focus on the micro-economic aspects of the draft Country Specific Recommendations which fall under the competence of the Competitiveness Council with a view to inputting to the Economic Policy Committee's discussions taking place from 5th to 7th June 2013.

11. Concretely, the Presidency will ask the Commission to present the CSRs focussing on the subjects set out under point 9. It will then ask Member States to react to the CSRs proposed and to address the following questions:

- *Which kind of specific recommendations did your Country get in policy areas for which the Competitiveness Council holds responsibility at EU level?*
 - *How do you intend to implement these specific CSRs and do you foresee any significant problems of political, technical, financial or institutional nature?*
 - *How can the Member States unlock the growth potential of structural reforms identified as part of the European semester and what co-ordinated actions at EU level can best achieve this objective?*
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