



**COUNCIL OF
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EDUC 11
ENV 27
RECH 11
ENER 16
FISC 9**

NOTE

From: Presidency
To: Permanent Representatives Committee

Subject: European Semester and Annual Growth Survey 2012 - Issues for discussion -
Ecofin January 24

Delegations will find annexed a Presidency note on European Semester and Annual Growth Survey 2012 - Issues for discussion - Ecofin January 24.

EUROPEAN SEMESTER AND THE ANNUAL GROWTH SURVEY 2012

ISSUES FOR DISCUSSION - ECOFIN JANUARY 24

The European Semester 2012

On November 23 2011, the Commission published the Annual Growth Survey 2012. The survey and the five priorities therein mark the launch of the European Semester 2012, and is a very good basis for the work in the Council.

The EU has adopted a comprehensive reform of the economic governance (the “six-pack”), including a strengthened Stability and Growth Pact, a new mechanism for addressing macroeconomic imbalances and a strengthening of national budgetary frameworks. The first full round of the European Semester after the reform has begun, and it will be a core priority for the ECOFIN to implement and enforce the new rules at EU level to support compliance at national level. The implementation of the decisions already made, and the additional initiatives currently being discussed (two-pack and Fiscal Compact) are important parts of the EU crisis management necessary to restart growth and foster employment in Europe.

Given the current economic environment, restoring sustainability and credibility of fiscal policies is the sine qua non to renew growth and job creation. Fiscal consolidation is, especially during a confidence crisis, a necessary condition for growth, not a brake on growth. Most Member States are implementing fiscal consolidation plans to meet their EDP recommendations and restore confidence.

However, while fiscal consolidation is a necessary condition for restoring growth and employment and should be done as growth-friendly as possible, it is also necessary to reinforce focus on those initiatives and reforms that will help foster growth and employment in the short and medium term within the context of the fiscal consolidation agenda. Prompt action is necessary to ensure that EU goals for growth and employment as defined in Europe 2020 strategy could be met.

Many reforms have positive effects on both growth and fiscal sustainability, notably pension and labour market reforms increasing labour supply, but in some cases the positive effects may only show up in the medium to long term. The challenging task is thus to design measures and reforms that kick off growth already in the short term, while not compromising the consolidation of public finances.

Concrete examples which underpin growth while at the same time being cost neutral could be the removal of barriers to competition, minimization of regulatory burdens for SME's as noted by the Commission in the Annual Growth Survey 2012.

Issues for discussion

The ECOFIN should have a first discussion of the most important priorities for Member States and the EU as a whole to promote growth and employment also in the short and medium term, within the consolidation and reform agenda. Alongside the remaining themes highlighted by the AGS, this discussion would provide input for the preparation of the upcoming February 21 ECOFIN conclusions providing guidance to Member States, as well as for the preparation of the discussion on these issues by the Heads of State and Government, including at the March European Council.

Ministers are invited to discuss these issues at the ECOFIN January 24, including sharing their own hands-on experiences with respect to these issues in national economic policy making.

ISSUES FOR DISCUSSION:

- *In light of the implementation of the necessary fiscal consolidation, what measures are already being taken or planned in individual Member States, which promote growth and employment already in the short and medium term, and which could serve as an example to other Member States?*
- *Which specific initiatives should be implemented at EU level to support growth and employment already in the short and medium term?*
