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REPORT

From: EFC

To: Permanent Representatives Committee (Part 2)

Subject: Review of the Europe 2020 Strategy: Report on the EFC discussion

Delegations will find attached the EFC President's report on the discussion on the review of the Europe 2020 Strategy.

Encl.:



ECONOMIC AND FINANCIAL COMMITTEE

THE PRESIDENT

Brussels, 2 July 2014
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Review of the Europe 2020 Strategy: Report on the EFC discussion

Dear Pier Carlo,

On 1 July the EFC had a first discussion on the review of the Europe 2020 Strategy based on an issues paper by the Italian Presidency, a communication by the Commission on Taking stock of the Europe 2020 Strategy, as well as a letter from the EPC President which outlined the discussion on this subject at the last EPC meeting on 24 June.

While many of the views expressed remain preliminary at this stage and the discussions at national level is just about to start, Members welcomed this opportunity for a first exchange of views. While noting that the new Commission would only come forward with concrete proposals in early 2015, we had a good discussion with convergence of views on many issues.

First of all, it was emphasised that the Europe 2020 Strategy constitutes progress compared to the Lisbon Strategy and the achievements over the last few years should not be underestimated. Furthermore, the challenges facing the EU remain broadly the same as when the strategy was launched in 2010 and the focus of the strategy therefore continues to be largely the right one. A complete overhaul of the strategy seems therefore not warranted at this stage less than halfway through the period up to 2020.

However, it was also underlined that the economic crisis has weakened the potential for growth and employment in Europe which together with the attention focused on short term actions to address the crisis, has made it more difficult to achieve the longer term objectives of the strategy. The current juncture provides a window of opportunity for the implementation of structural reforms providing the momentum for increasing economic growth and employment in the short-term as well our growth potential over the long term.

Evidently more ambition is needed as regards the implementation of structural reforms coupled with a strong focus on growth, employment and competitiveness. The Single Market may be an area that needs to be given more prominence as an instrument in this respect, both at national and EU level. It was highlighted by some Members that EIB and EIF financing as well as the streamlining of the financial instruments need to be examined. Others underlined the importance of improving the financing conditions of SMEs as well as of alternative funding outside of the banking sector. It was also stressed that the digital agenda for Europe should be implemented in full given that it could provide an important boost to economic growth.

As regards the governance structure of the Strategy there was broad recognition by Members that more attention to monitoring and follow up is needed as has also already been recognized in the context of the European Semester. There was also consensus in the Committee that greater accountability of Member States through strengthened peer pressure and benchmarking of policies in the area of structural reforms could be contemplated. Concerning the link to other governance procedures it was generally considered that the Strategy should complement the other governance processes and that the European Semester and its integrated recommendations should retain its key role for the delivery of actual progress towards the headline targets in the Strategy. Members generally considered that the Stability and Growth Pact already includes sufficient flexibility to support the attainment of the headline targets, in line with the June European Council conclusions.

The broad based strategy with five headline targets linked directly to the challenges continues to be valid despite the mixed progress so far and the likely difficulties in reaching them all in 2020. Most Members stated that new or additional targets were not desirable as they could risk making the strategy lose its focus and make it too broad with conflicting priorities and an overloaded agenda. Further attention could however be given to intermediate targets in order to reach the existing targets taking into account the current circumstances. It was also recognised that national targets may also need to become more ambitious to ensure consistency and delivery versus the EU level headline targets.

The discussion also highlighted the importance of providing the right incentive structure in order to provide the catalyst for the implementation of structural reforms in Member States. It was recognised that there was a need to focus on delivering concrete actions in order to achieve the goals of the Strategy. Finally, Members also agreed on the importance of having political ownership of this process, in order to maintain the reform momentum across the EU. Following the orientation debate by Ministers, both the EFC and EPC stand ready to work on the further development of the EU 2020 strategy which is at the heart of the European strategy to deliver growth and jobs.

Yours sincerely,



Mr Thomas Wieser