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**NOTE**

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From: General Secretariat of the Council  
To: Permanent Representatives Committee/Council

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Subject: European Semester 2021: The Annual Sustainable Growth Strategy 2021  
- Draft Council Conclusions

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Delegations will find attached the draft Council conclusions on the Annual Sustainable Growth Strategy 2021, as prepared by the Economic and Financial Committee on 22-23 October 2020.

## 2021 EUROPEAN SEMESTER:

### THE ANNUAL SUSTAINABLE GROWTH STRATEGY 2021

#### DRAFT COUNCIL CONCLUSIONS

THE COUNCIL OF THE EUROPEAN UNION:

1. AGREES that in the sudden and deep recession caused by the COVID-19 pandemic, it is critical to protect our citizens, their health and their jobs.
2. TAKES NOTE of the early publication of the Annual Sustainable Growth Strategy 2021, which demonstrates that the recovery and resilience facility has a crucial role to play in facilitating swift recovery and strengthening economic and social resilience of the EU Member States, providing a huge investment and reform stimulus, especially for the green and digital transition. STRESSES that the facility should be agreed and implemented without delay.
3. WELCOMES that the Annual Sustainable Growth Strategy 2021 and the facility are rooted in the EU's aim of achieving competitive sustainability and cohesion in line with the European Green Deal. AGREES with maintaining the four dimensions of the Annual Sustainable Growth Strategy: macroeconomic stability, environmental sustainability, productivity and fairness. UNDERLINES that the smooth functioning of the Single Market is key for ensuring a swift recovery, fair competition and preventing disruptions to cross-border value chains and free movement of workers and goods as well as improving socio-economic conditions. AGREES that addressing the climate and environmental challenges of our time is an opportunity to refocus our economies in a sustainable manner. STRESSES that the recovery and resilience plans will need to be aligned with the agreed priorities, as stated in the regulation on the recovery and resilience facility.

4. TAKES NOTE of the flagship initiatives listed in the Annual Sustainable Growth Strategy 2021 that reflect common EU challenges that call for coordinated investments and reforms. STRONGLY ENCOURAGES Member States to pursue coherent sets of essential reforms and investments, addressing national structural challenges, including those reflected in the country-specific recommendations addressed to the Member States in the 2019 and 2020 Semester cycles, and supporting long-term sustainable inclusive growth and resilience. They could also strengthen positive spillover effects by taking into account the flagships proposed by the Commission.
5. ACKNOWLEDGES that it is necessary to temporarily adapt the European Semester to ensure consistent and effective implementation of the recovery and resilience facility. TAKES NOTE of the Commission intention to replace the European Semester country reports in 2021 with analytical documents assessing the substance of the recovery and resilience plans, for the Member States submitting a recovery and resilience plan. UNDERLINES the importance of maintaining horizontal discussions within relevant Committees involved in the European Semester. ENCOURAGES Member States to submit the national reform programme and their recovery and resilience plan in a single integrated document.
6. TAKES NOTE that, given the comprehensive and forward-looking nature of recovery and resilience plans, the Commission will not propose country-specific recommendations in 2021 (except for on budgetary situation) for those Member States that will have submitted such a plan. UNDERLINES the importance of safeguarding multilateral surveillance within the European Semester despite the changes in the 2021 cycle. HIGHLIGHTS that structural policy surveillance, horizontal discussions and thematic reviews should continue, while permitting timely and effective decision-making process regarding the assessment of the programmes and the payments. CALLS for returning to a fully-fledged European Semester process as soon as possible, including its governance.
7. ENCOURAGES the Commission to build on the established processes and governance within the European Semester cycle as much as possible to support the effective implementation of recovery and resilience plans. INVITES Member States to set up appropriate governance arrangements for the efficient and sound implementation of the recovery and resilience plans.

8. AGREES that Member States should continue to provide targeted and temporary fiscal support in 2021, while safeguarding fiscal sustainability in the medium-term and enhancing investments. CONSIDERS that the timing of measures that facilitate a reallocation of resources and support the recovery should vary between the Member States, depending on the needs of the country and of the different sectors in relation to the evolution of the pandemic.
9. TAKES NOTE of the Commission intention to propose in 2021 country-specific recommendations on the budgetary situation of the Member States, as envisaged under the Stability and Growth Pact. CONSIDERS it important to reflect on future fiscal policy orientations. UNDERLINES that the high uncertainty about the development of the COVID-19 pandemic and its economic and social impact needs to be taken into account in fiscal policy-making.
10. ACKNOWLEDGES that the major economic downturn caused by the COVID-19 crisis is likely to worsen some existing imbalances and may generate risks of new macroeconomic imbalances, in particular due to increases in the indebtedness of the public sector, firms and households, which in turn can feed through to the financial sector. AGREES with the need for continuous comprehensive EU economic surveillance for ensuring timely detection and tackling of emerging and changing economic challenges. WELCOMES the Commission's intention to publish the Alert Mechanism Report and to continue surveillance under the Macroeconomic Imbalance Procedure, including the adoption of in-depth reviews in 2021 assessing the state of play of imbalances for selected Member States.
11. CALLS for making the utmost use of the recovery and resilience facility and swiftly implementing productive investments and structural reforms, in line with the EU priorities, thereby strengthening the resilience of the EU economies and enhancing the growth potential.