

## III

*(Preparatory acts)*

## EUROPEAN ECONOMIC AND SOCIAL COMMITTEE

476TH PLENARY SESSION HELD ON 7 AND 8 DECEMBER 2011

**Opinion of the European Economic and Social Committee on the ‘Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions — Concluding the first European semester of economic policy coordination: Guidance for national policies in 2011-2012’**

COM(2011) 400 final

(2012/C 43/02)

Rapporteur-General: **Mr Michael SMYTH**

On 7 June 2011 the Commission decided to consult the European Economic and Social Committee, under Article 304 of the Treaty on the Functioning of the European Union, on the

*Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions — Concluding the first European semester of economic policy coordination: Guidance for national policies in 2011-2012*

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On 14 June 2011 the Committee Bureau instructed the Europe 2020 Steering Committee to prepare the Committee’s work on the subject.

Given the urgent nature of the work, the European Economic and Social Committee appointed Mr SMYTH as rapporteur-general at its 476th plenary session, held on 7 and 8 December 2011 (meeting of 8 December 2011), and adopted the following opinion by 136 votes in favour, no vote against and 6 abstentions.

**1. Conclusions**

1.1 The Union and its population is experiencing the worst economic, social and political crisis in its history, severely affecting the Member States and their population and threatening core achievements such as the single currency, the Stability Pact, the Internal market. In the previous financial crisis it was the swift and decisive joint action among Europe’s leaders that averted a long recession. Europe now faces another equally serious challenge and again a very strong cooperative political stance is required. No single Member State can deal with the crisis on its own - the political choice has become stark: either European integration is strengthened to overcome the crisis or the crisis will severely weaken European integration and put it at risk.

1.2 Immediate measures are needed in order to reduce debt, to consolidate public finances and to raise the level of confidence of people and businesses. However, policymakers should look beyond the crises of the day. The focus should not be only on short and medium term actions. There is a clear need for long term reforms. The action or lack of action in this respect will have a short-term, even immediate impact on Member States’ borrowing costs.

1.3 Against this background, the Committee considers that the Europe 2020 Strategy is more important than ever since it offers a comprehensive agenda for reforms aiming to secure sustainable growth and making the Union more resilient in future.

1.4 A good balance between all the aspects of the Strategy – notably its economy aspect, the social aspect and the environment aspect is needed: the 3 priority areas – smart, sustainable and inclusive growth are interlinked and mutually reinforcing. Equal attention has to be given to economic growth, entrepreneurship, SMEs, competitiveness, innovation, sustainability and environment, social rights, job creation and support to education.

1.5 In a context of difficult economic situation and strained public finances in the Member States, the challenge is now more than ever the adequate implementation of the Strategy.

1.6 The Committee is very concerned that commitments set out by Member States in their national reform programmes are insufficient – as shown by the Annual Growth Survey <sup>(1)</sup> – to meet most of the targets set by the Strategy (targets on education, employment, research and development, poverty reduction, emission reduction – energy efficiency – renewable energy).

1.7 Member States must increase their efforts and engage in more ambitious national adjustments, in order to have a chance of attaining the targets by 2020, setting the priority on growth-enhancing items (education, innovation, energy, transport inter-connections, etc.). An adequate implementation of their commitments is key.

1.8 The Committee considers that organised civil society and social partner's participation in the carrying out reforms and a growth strategy will be determinant for their success and will encourage national administrations and the EU to deliver concrete results. Therefore, it will continue the joint work with its network of national Economic and Social Councils (ESCs) and similar organisations in the framework of the Europe 2020 strategy. On the one side, it will bring awareness in the Member States and on the other side, it will ensure that the economic and social circumstances on the ground are known by policy makers at the EU level.

## 2. Background

2.1 The first European semester, new governance method aimed at improving the economic policy coordination between the EU and Member States, was launched in January 2011 when the Commission presented the Annual Growth Survey (AGS) <sup>(2)</sup> which was endorsed and completed by the Spring European Council <sup>(3)</sup>.

<sup>(1)</sup> Annual growth Survey 2012, COM(2011) 815 of 23.11.2011.

<sup>(2)</sup> 'Annual Growth Survey 2011: advancing the EU's comprehensive response to the crisis' – COM(2011) 11, 12.1.2011, including the draft Joint Employment Report.

<sup>(3)</sup> European Council 24/25 March 2011 Conclusions, EUCO 10/1/11 rev. 1.

2.2 Against this background, Member States presented at the end of April 2011 Stability or Convergence Programmes (SCPs) on their public finances and National Reform Programmes (NRPs), presenting key policy measures to reach the goals of the Europe 2020 strategy. In addition, most members of the Euro Plus Pact presented specific commitments made under the Pact <sup>(4)</sup>.

2.3 After having assessed these programmes and commitments, the Commission issued country-specific recommendations as well as recommendations for the Euro area <sup>(5)</sup>. They focused on areas where further action was needed from member States in order to step up structural reforms. The June European Council <sup>(6)</sup> endorsed them, concluding the first European semester and marking the opening of the 'national semester'.

2.4 The present document takes as a starting point the Commission's communication on 'Concluding the first European semester of economic policy coordination: Guidance for national polices in 2011 – 2012' <sup>(7)</sup> issued in June 2011. It aims at focusing on several important issues such as:

- the reinforcement of governance in relation with the Strategy,
- the improvement of communication on the Strategy, and
- the improvement of its concrete implementation by the Member States.

2.5 It will be part of a new 'Integrated Report' <sup>(8)</sup> that will be presented by the interactive network developed by the EESC with national ESCs and other similar partner organisations.

2.6 The specific policies covered by the EU 2020 strategy were dealt with more in depth in the previous opinion on the 'Annual Growth Survey: advancing the EU's comprehensive

<sup>(4)</sup> Annex I. to the European Council 24/25 March 2011 Conclusions, EUCO 10/1/11 rev. 1.

<sup>(5)</sup> For some Member States that are under financial assistance provided by the euro-area Member States and the IMF, the Commission only recommended to implement their Memorandum of Understanding and its subsequent supplements that lay down the economic policy conditions on the basis of which the financial assistance is disbursed. This financial aid should be in line with the achievement of the Europe 2020 Strategy.

<sup>(6)</sup> European Council 23/24 June 2011 Conclusions, EUCO 23/11.

<sup>(7)</sup> Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of Regions 'Concluding the first European semester of economic policy coordination: Guidance for national polices in 2011 – 2012', COM (2011)400 final.

<sup>(8)</sup> A first 'Integrated Report on the post - 2010 Lisbon Strategy' was presented by the Committee in view of the drawing up of the new European strategy for the period after 2010. This opinion was prepared by the EESC's Lisbon Strategy Observatory and contained contributions from national Economic and Social Councils (ESCs) and partner organisations as well as the EESC Opinion on the post-2010 Lisbon Strategy (Rapporteur: Mr Greif).

response to the crisis' <sup>(9)</sup>. Indeed, following the consultation on the Annual Growth Survey 2011, the Committee issued an opinion that fully supported the EU 2020 Strategy, the European Semester and encouraged the Commission to stand up for European integration. The Committee regretted however that the first Annual Growth Survey had missed the opportunity to provide policy proposals in view of achieving smart, sustainable and inclusive growth. Given the serious deterioration in economic and social conditions, these proposals must now be acted upon.

2.7 The opinion also tabled several concrete proposals on the ten points advanced by the Commission: implementing a rigorous fiscal consolidation, correcting macro economic imbalances, ensuring stability of the financial sector, making work more attractive, reforming pensions systems, getting the unemployed back to work, balancing security and flexibility, tapping the potential of the Single Market, attracting private capital to finance growth and creating cost-effective access to energy.

2.8 Following the publication by the Commission of the Annual Growth Survey 2012 <sup>(10)</sup>, the Committee intends to present an opinion, focusing on the progress report on the Europe 2020 Strategy, in view of the March 2012 European Council.

### 3. Governance

3.1 The Europe 2020 process should be a process for all and by all and not the preserve of policy makers, legislators and expert groups:

- Input from all circles in society is desirable to benefit from the expertise on the ground, to define the best possible approaches to current challenges and to explore creative solutions. Such an example could be the idea of social entrepreneurship that has both economic and social positive effects.
- Adequate implementation of the strategy in Member States depends largely on the commitment and responsibility of all the stakeholders concerned. Therefore, co-ownership of the strategy is crucial and requires full partnership in order to forge dynamism around the reforms.

3.2 The Committee believes that there should be improvements in the consultation, participation and mobilisation of organised civil society at both national and European levels.

3.3 Organised civil society in Member States should be involved in the monitoring and implementation of the EU 2020 strategy as active partners.

3.4 European social partners and organised civil society must be consulted on the country specific recommendations for each Member State. In this context, timing is crucial so as to permit involvement of organised civil society at an early stage in the formulation of future prospects for the cycle after 2011. A fortiori the ILO fundamental conventions, ratified by Member States, must be respected, especially convention 98 guaranteeing free collective bargaining.

3.5 The Committee calls for a strengthening of the special role and profile of national ESCs and similar organisations. This will in no way cut across existing consultation mechanisms with social partners in Member States.

3.6 Steps should be taken to energise the debate on the implementation of EU 2020 strategy in Member States and governments should develop more effective feedback processes about the results of greater civil and social dialogue on the strategy.

3.7 The EESC advocates regular conferences on the monitoring of EU 2020 in Member States which would involve all stakeholders and civil society organisations.

3.8 The Committee recommends the creation of permanent dialogues in Member States between national ESCs or equivalent and other social partners and stakeholders such as SMEs, social economy actors, think tanks, universities and those working to promote social cohesion and equal opportunities. Due account should be taken of agreements and practices on civil dialogue that exist in some Member States.

3.9 Structural barriers to a genuine dialogue with social partners and civil society organisations must be removed. This includes, for instance, avoiding the tight deadlines, which has actually become the norm, for drawing up the National Reform Programmes.

3.10 *Governance at the European level – the added value of a stronger European dimension*

3.10.1 It is becoming clear that national policies, on their own, are not sufficient and that European level policy cooperation should be strengthened. Asymmetric or isolated macroeconomic, industrial or social policies in Member States can undermine EMU and the Single Market and can have adverse spill over effects on other Member States.

3.10.2 The Committee advocates dialogue between national ESCs and civil society organisations and Commission representatives about specific national circumstances. Similarly national ESCs should be more closely involved in the Commission's annual consultations. The EESC advocates this approach,

<sup>(9)</sup> EESC opinion on the 'Annual growth survey', OJ C 132, 3.5.2011 p. 26-38.

<sup>(10)</sup> Annual Growth Survey 2012, COM(2011) 815.

which is in line with the one adopted by the European Parliament leading to greater cooperation with national parliaments and also by the Committee of the Regions with European regional and local authorities.

3.10.3 The operation of the European Semester has been criticised at the level of the European Parliament, due to the lack of legitimacy, the minor role assigned to the European Parliament, the marginal involvement of National Parliaments and the lack of transparency of the process. The enhancement of the effectiveness of the European Semester by means of a regular economic dialogue on the out workings of the Semester was proposed. The Committee supports the idea of the creation by the Parliament of a sub-committee dealing with issues linked with the European Semester and expresses its wish to be closely associated to its works.

3.10.4 The Committee also desires to continue its collaborative efforts with the Committee of the Regions in promoting citizens' appropriation of the EU 2020 strategy and its effective implementation.

3.10.5 The EESC believes that organised civil society should be invited to participate in territorial pacts<sup>(11)</sup> for EU 2020.

#### 3.11 *Instruments available for improving governance*

3.11.1 The Committee believes that the full range of available instruments of the Union<sup>(12)</sup> should be deployed to ensure the success of the Europe 2020 strategy.

3.11.2 The EESC cautions against the European semester becoming a substitute for the broad guidelines of economic policies and employment policies of the Member States.

3.11.3 The Multiannual Financial Framework for the years 2014-2020 should support the achievement of the Europe 2020 targets.

3.11.4 Structural Funds in the 2014 – 2020 period should be totally aligned with EU 2020 priorities<sup>(13)</sup>.

3.11.5 Better coordination of EU and national-level spending would improve efficiency.

<sup>(11)</sup> A *Territorial Pact for Europe 2020* is an agreement between a country's tiers of government (local, regional, national). Parties signing up to a Territorial Pact commit to coordinate and synchronise their policy agendas in order to focus their actions and financial resources on the Europe 2020 Strategy goals and targets – See <http://portal.cor.europa.eu/europe2020/news/Pages/TPUsefuldocuments.aspx>.

<sup>(12)</sup> Instruments such as regulations, directives, recommendations, opinions and standards to guidelines, common objectives, common programmes, structural funds, coordination of policies and instruments of the external action of the EU.

<sup>(13)</sup> See notably EESC opinion 'The future of the European social fund after 2013', OJ C 132/8, 3.5.2011.

3.11.6 Public investments - at EU and Member States level - in smart, sustainable, inclusive growth could also encourage additional private investment, having in this way a leverage effect.

#### 4. **Communication on the Europe 2020 Strategy**

4.1 The political visibility of the EU 2020 strategy should be increased and its awareness among citizens should be enhanced, particularly with respect to the serious challenges that our societies now have to face.

4.2 Communication at all levels (EU, national and especially local) should be stepped up because in many Member States EU 2020 is the only new thinking and policy additionality on offer that gives people some hope of a better future. The key messages of the Europe 2020 strategy about growth, jobs and social inclusion need to be explained over and over again.

4.3 National Reform Programmes should be presented and debated in national parliaments.

#### 5. **Implementation of the Europe 2020 strategy**

5.1 The Committee encourages the Commission and Member States to work to identify bottlenecks that constrain growth at national and international level. These bottlenecks manifest themselves in many forms such as:

- the fragmentation of the Single market,
- the insufficient access for SMEs to Single market,
- the need for developing entrepreneurship,
- the weaknesses in the business environment (including the regulatory environment),
- the obstacles to employment and labour reallocation (labour market segmentation),
- the lack of competitiveness of European industry, due to a lack of reciprocity in world trade and in international public procurement,
- the need for increasing labour market participation,
- the insufficient quality and efficiency of the education and training systems,
- the need for a well functioning, regulated and stable financial sector which serves the needs of the real economy.

5.2 Such potential bottlenecks could be identified thanks to the above mentioned permanent dialogues. New incentives for the areas which are lagging behind could be proposed.

5.3 The Committee supports the use of modern public administration tools in order to ensure the good implementation of the EU 2020 strategy and the full involvement of organised civil society and social partners. These tools can be:

5.3.1 **The definition of baselines, targets and deadlines:** the Committee is aware that currently, in many cases concrete and measurable objectives are lacking, and timetables are too tight. It is in favour of defining clear, concrete targets, accompanied by realistic deadlines for achieving them. Accurate baselines are essential in order to facilitate the measurement of the impact of EU 2020 and to this end the Committee commends greater utilisation of ESPON.

5.3.1.1 The Commission should monitor progress and exert its right of alert when Member States are not delivering on agreed commitments.

5.3.2 Using **benchmarking and indicators:** the Committee recalls the importance of using indicators of progress and success - output-oriented, quantitative but also qualitative indicators are needed.

5.3.2.1 Such a benchmarking, based on the National Reform Programmes objectives and set up by stakeholders in cooperation with government representatives, would provide concrete information for measuring the progress made in each Member State in the implementation of the EU 2020 Strategy. Each national ESC or similar organisation would need to analyse and establish its own priority criteria. Some national ESCs have already started benchmarking at regular intervals, using statistics which are freely accessible on the Eurostat website. Other national ESCs could engage in the same process.

5.3.2.2 The Committee expresses its readiness to host on its website (the CESLink website)<sup>(14)</sup> a digital platform for the exchange of information and data.

5.3.2.3 The EESC also expresses its readiness to organise an annual conference during which results of benchmarking could be analysed.

5.3.3 **Regular evaluation of policy implementation and impact:** thanks to benchmarking, the stakeholders could continuously monitor the implementation of the reforms. This would also provide adequate information for the revision of National Reform Programmes and would facilitate the identification of best practices across the Member States.

## 6. Dissemination of best practices

6.1 The Committee considers that exchange of good practices at the EU level should be highly promoted. It is therefore conducting fact-finding missions to Member States in order to discuss and encourage the exchange of best practices and the implementation of reforms including the civil society stakeholders.

6.2 The EESC is of the opinion that stakeholders should develop new methods for sharing best-practices: multi-level networking would involve the exchange of information with the various levels of government and closer cooperation between border areas in two or more Member States would allow the setting up of cross-border objectives. In addition, analysis of the good practices is needed, in order to be able to use them in other Member States national context.

6.3 The Committee encourages the Commission and Member States to make a renewed effort to promote the cross-border exchange of best practice through the use of electronic communication methods (e.g. databases containing examples of best practices, scoreboards, etc.). The above method depends however on the Member States adopting an appropriate European framework that would allow it. If necessary, the creation of innovative instruments should be considered.

6.4 The Committee reiterates its readiness to be active both as a platform<sup>(14)</sup> for the exchange of information and for cooperation between national ESCs, social partners, civil society actors and the European institutions and as a platform for the exchange of views and experiences between national stakeholders. The Committee takes this opportunity to recall that it highly appreciates the contributions to the discussions made by national ESCs and similar organisations.

Brussels, 8 December 2011.

*The President*  
of the European Economic and Social Committee  
Staffan NILSSON

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<sup>(14)</sup> See <http://www.eesc.europa.eu/ceslink/>.