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Delegations will find attached Council Conclusions on Europe 2020 as adopted by the Council (Ecofin) on 16 March 2010.

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Encl.:

**Europe 2020****Council conclusions****Objectives and Priorities**

1. The Council TAKES NOTE of the Commission Communication on "Europe 2020 – a European Strategy for smart, sustainable and inclusive growth". It outlines an adequate framework for the European Union and Member States for, exiting the crisis and addressing the structural weaknesses of the European economy and the macroeconomic challenges that have increased with the crisis. Overall the approach responds well to the views expressed by the Ecofin Council on 2 December 2009 in the context of "the Lisbon Strategy post-2010".
2. The Council EMPHASISES the need to firmly set the EU on an upward path of sustainable growth and employment creation and AGREES with the three proposed priorities of the Europe 2020 Strategy: Smart growth; Sustainable growth; and Inclusive growth. The Council CONSIDERS that the "Flagship Initiatives" set out by the Commission provide a good basis for reflections on how to focus efforts on the appropriate areas.
3. The Council also EMPHASISES that restoring macro-economic stability and returning Member States' public finances on a sustainable path are prerequisites for growth and jobs, and that growth is important to support fiscal consolidation. The Council therefore UNDERLINES that structural reforms and fiscal consolidation under the Stability and Growth Pact (SGP) need to go hand in hand and STRESSES the need to ensure that macroeconomic and fiscal constraints are fully observed as they are a prerequisite for long-term sustainability of our social models.
4. The Council UNDERLINES that the Europe 2020 Strategy should be an agenda for all Member States, taking into account different starting positions and country specificities, that promotes growth for all.

It further CONSIDERS that the Strategy shall contribute to supporting economic, social and territorial cohesion across Member States and regions of the EU.

### **Mobilising EU level instruments**

5. The Council TAKES NOTE of the proposal to mobilise EU policies and instruments, including legal and financial instruments (including cohesion policy), to pursue the EU2020 objectives. The Council in particular SUPPORTS the proposal to:
- make full use of the single market policy to reduce fragmentation and remove obstacles to cross-border activities;
  - develop a strong external economic agenda; and
  - improve instruments to help finance Europe-2020. In this context greater consideration could be given to deploying better the existing Community policy instruments and aligning the priorities of the EU budget with the Europe 2020 Strategy, without pre-empting the forthcoming discussions on the new financial framework; and by designing innovative finance instruments, in particular proposals in cooperation with the EIB Group to streamline and better leverage EU budget resources and EIB Group finance.

### **Exit strategies and structural reforms**

6. The Council AGREES that the Europe 2020 strategy, in the aftermath of the crisis, needs to respond to the challenge of reorienting policies away from crisis management towards the introduction of medium- to longer-term reforms that promote the sustainability of public finances and enhance potential growth. The Council has already taken an active role in agreeing on principles for a coordinated strategy for withdrawing the fiscal stimulus and financial markets support measures, as well as for the timing and sequencing of phasing-out short-term crisis related measures in labour and product markets. The Council is COMMITTED to continue to closely monitoring the implementation of exit strategies in the various areas.
7. The Council AGREES that there is a need to start identifying areas that constitute bottlenecks, including infrastructure, to growth at EU and national level and designing policies that will provide the right conditions for sustainable and balanced growth and jobs in the future.

This will contribute to safeguarding the European social models and to protect the environment. The Council CALLS on the Commission to work further with the Member States and the Economic Policy Committee and the Economic and Financial Committee, by building on existing analytical frameworks, to contribute to identify the most important bottlenecks to growth for each Member State and at the European level in time for the June Ecofin Council.

8. The Council UNDERLINES the importance of immediately starting the implementation of structural reforms. Structural reforms that carry low costs and low risks of inducing adverse short-term economic effects at the current juncture (e.g. on fiscal frameworks, on the quality of public finances, on pensions and other entitlements, competition enhancing policies and initiatives to reduce undue administrative burdens) should be launched without delay. In addition, other structural reforms, for example in the labour market, will have to be considered.

## **Targets**

9. The Council TAKES NOTE of the proposal to define five headline targets for the EU to be achieved by 2020, and to translate these into national targets. As regards the choice of headline targets, the Council UNDERLINES the importance of outcome oriented targets and of ensuring coherence across the different headline targets and between EU level and national level targets. The Council further UNDERLINES the need for a clear link to enhancing productivity and to growth and jobs as well as the need to respect the principle of subsidiarity. The Council CONSIDERS that urgent consideration should be given to a wider indicator that would reflect R&D and innovation. Further consideration will have to be given to the principle and the correct design of a possible social inclusion target. Further analysis at the EU and national level is necessary of the implication of reference values based on a process of partnership between the Commission, the Member States and the Council, taking into account national starting positions and circumstances.
10. The Council RECOMMENDS that progress towards meeting the EU and national targets should be monitored rigorously by the European Council at least annually on the basis of contributions from the European Commission and the relevant Council formations. The European Council may want to consider setting intermediate milestones towards achieving the targets set for 2020.

## Governance

11. The Council **ACKNOWLEDGES** the new enhanced governance framework proposed for Europe 2020. The Council **SUPPORTS** the approach of pursuing the new reform agenda through EU and national level initiatives and the delivery of the headline targets, under a thematic approach, on the one hand, and through effective country surveillance, focussing on the implementation of exit strategies; macroeconomic issues related to growth and competitiveness, including macro-economic imbalances and macro-financial stability; and ensuring sustainable public finances, on the other hand. In particular, the Council **SUPPORTS** the active involvement and ownership by the European Council both in discussing these issues on a regular basis and providing political guidance in individual policy areas and in assessing progress towards the Europe 2020 targets.
12. The Council **CONSIDERS** that the timing of processes should be assessed with a view of enhancing the overall consistency of policy advice to Member States. The Council **STRESSES** the close policy inter linkages between structural reforms and public finances: structural reforms contribute to sustainable public finances both directly (e.g. pension reforms) and indirectly by supporting growth and jobs.
13. The Council **NOTES** that country-specific recommendations under the Broad Economic Policy Guidelines (BEPGs, Treaty Article 121.2), will focus on policy advice to tackle macroeconomic imbalances; to strengthen competitiveness; and structural reforms that are key growth drivers. The Council **WILL** explore ways and means to ensure that such country-specific recommendations under the BEPGs are in conformity with national and EU fiscal frameworks and public finance constraints. To ensure overall coherence between the macro/fiscal framework and the thematic agendas, the Council **NOTES** the proposal to address, under the BEPGs, recommendations on the proposed thematic issues that have significant macroeconomic implications.
14. The Council **AGREES** that enhanced country surveillance will be fundamental to achieve the overriding goals of the Europe 2020 strategy. This would include both the issuing of more precise and candid policy recommendations to Member States and a closer follow-up of recommendations than in the past.

Close coordination of exit strategies will also be required to ensure coherence and avoid negative spill over effects throughout the EU.

15. In view of the existence within the monetary union of larger spill over effects, the Council CONSIDERS that closer coordination of exit strategies, stronger follow-up mechanisms with regard to country surveillance and more outspoken policy advice are particularly important within the euro area to ensure the well functioning of EMU. The Lisbon Treaty (Article 136) has opened up new possibilities in this regard. The Council LOOKS FORWARD to the Commission's proposals for a more formalised framework in time for the June Ecofin Council.
16. The Council EMPHASISES the importance of developing transparent evidence-based evaluation frameworks to ensure the effectiveness of surveillance both in the country and the thematic pillars and coherent recommendations and CALLS on the Economic Policy Committee to contribute to the development of such frameworks to be ready in time for the June European Council.
17. The Council further STRESSES that consideration should be given to strengthening the EU dimension and harnessing EU instruments to make the most of the potential at EU level and that monitoring of progress of EU level actions has to be enhanced further, to ensure a genuine, concrete and coordinated policy agenda and that the interaction between EU policies and national policies mutually reinforce each other.

## **Communication**

18. The Council also RECALLS the importance of public awareness and support for the successful implementation of policies and reforms. To this end the Council CONSIDERS that policy advice should be made public. Moreover, progress towards meeting both the headline targets of the Europe 2020 Strategy and other key macroeconomic variables should be published, based on appropriate indicators closely linked to the achievement of the final targets.

## Concluding remarks

19. The Council (Ecofin) STANDS READY to work further on the governance structure of the Europe 2020 Strategy, including preparing the new integrated guidelines on the basis of a Commission proposal to be endorsed by the June European Council. The Council (Ecofin) also STANDS READY to:

- support the European Council, if requested, with the provision of strategic guidance, including for a possible Annual Economic Summit;
- play its full role in the proposed setup of macro-structural economic country surveillance under Europe 2020, thus ensuring the coherence and consistency of the policies under Europe 2020, in particular with regard to strictly observing Member States' macroeconomic and fiscal constraints;
- work closely with other Council formations to provide the analytical underpinning for the individual flagship initiatives under the thematic pillar of the new strategy; and
- developing and carrying out macro-structural country surveillance, focusing on public finance issues, imbalances and potential growth drivers, taking full account of spill-over effects.

Finally, the Council EMPHASISES the usefulness of carrying out a mid-term review of the Strategy in 2013/14.