

Midterm review of Europe 2020 – Danish Perspective

Overview of the suggested improvements to the Europe 2020 strategy:

- Better integration of Europe 2020 in the European Semester, including assessments of progress with the Europe 2020 targets in the Annual Growth Survey and in the Council Opinions on the convergence and stability programmes.
- More systematic and regular follow-up on the implementation of the country specific recommendations (CSR).
- Further peer pressure of Member States' performance and sharing of best practices, both at Committee and Council level.
- More use of existing instruments, including Broad Economic Policy Guidelines (BEPGs) warnings and recommendations and the provisions linking the effectiveness of the European and Structural Funds to sound economic governance.
- Consider directing EU structural funds towards the most effective reforms.
- More effective, focused and transparent Europe 2020 flagships.
- Better integration of single market policies in Europe 2020.

Overall focus

While progress has been made, the structural economic weaknesses of the European economies are broadly the same as when the Europe 2020 strategy was launched in 2010. The challenges include increasing productivity, ensuring long-term sustainability of public finances and increasing labour supply to tackle demographical challenges, tackling the high unemployment rate in many member states, and promoting a more efficient use of resources. If anything, the crisis has accentuated the existing challenges.

Europe 2020 remains valid as the EU's growth strategy. The overall focus should continue to be on implementation of national economic reforms to increase the EU's growth potential and promote sustainable growth and jobs both on the short and the long term. An overhaul of the strategy or a rebalancing of the priorities is not relevant at this stage. Given the longer term character of structural policy, continuity is of particular importance for ensuring delivery of the necessary reforms.

The economic crisis put the EU's growth potential under pressure and to some extent restrained progress towards the Europe 2020 targets. Still, over the last few years, Europe 2020 has helped not to lose sight of the EU's long-term growth agenda and to keep the focus on structural reforms, even at time where much effort was devoted for short-term crisis responses. In particular, the country specific recommendations have reflected the need to boost the growth potential through policy reforms, including reforms of labour markets, product markets, public administration, R&D and education. The European Semester 2014 proved that Member states are advancing the reform agenda and that macroeconomic imbalances are declining, but also that a lot still needs to be done.

Guiding principles

The five current Europe 2020 targets should be maintained. These targets are still relevant and useful as policy anchors, covering the key priorities. Continuity and predictability and maintaining focus on the essentials, is important to ensure progress towards the targets and the overall Europe 2020 objectives. In general, targets should be simple, measurable, based on sound economic reasoning and output-oriented.

The EU 2020 flagship initiatives should be more effective, focused and more transparent with a view to achieve more concrete results on a long term basis. The flagships were thought as mini work programmes at EU level within the different areas of the Europe 2020 strategy and have in many cases inspired policy action at both EU and national level. However, the flagships need to be more focused on key priorities and more effective in promoting sustainable growth and jobs. The Flagships should be effectively implemented and monitored and it should be clear who is responsible for their progress. The roadmaps of the flagships should be updated with priority actions for the next five years, taking into account the progress made so far.

Single market policies should be better integrated in Europe 2020. In an increasingly global economy, a well-functioning single market is key to increase growth potential. Efforts should therefore be stepped up to ensure implementation and better enforcement of single market rules at national level while at the same time looking into how to modernise and deepen the Single Market. Today, implementation and enforcement of single market rules vary greatly in the Member States. To enhance peer pressure and improve implementation at both European and national level, monitoring of the functioning of the Single Market should be improved by making use of the European Semester process.

Within the Europe 2020 context, emphasis should be on single market policies with the greatest potential to create growth and jobs, in particular on pursuing further market opening in EU services and network industries, developing a single market for energy and green products, and promoting education, research and innovation. Strengthening productivity also requires continued focus on smarter regulation, i.e. simplification as well as reduction of unnecessary regulatory burdens taking into account consumer and employees protection as well as health and environment concerns.

Particular attention should be paid to promoting a true digital single market that entails large potentials for growth and job creation. Barriers to digital trade and market integration across borders should be removed, legislation should be made fit for the digital age and procedures to address cross-borders disputes and claims in the digital single market should be established.

Existing instruments on the European budget, including Structural Funds, should be targeted towards achieving the aims of Europe 2020. It falls upon the EU as well as national governments to ensure that both European and national public funds are spent efficiently and in a way that contributes to achieving the targets laid out in Europe 2020.

Tools and incentives

In the area of structural reforms the responsibility lies primarily with Member States at national levels. It is key to the strategy to ensure ownership and peer pressure at the same time.

The effectiveness of the European Semester and Europe 2020 could be further enhanced through closer monitoring of the countries' track record of the recommendations throughout the year, and through further peer pressure and sharing of best practices, both at Committee and Council level. To make a clearer link between the CSRs and the longer-term perspective of Europe 2020, the Council Opinions under the European Semester could include an assessment of the national Europe 2020 targets and point out which of the CSRs that are also related to Europe 2020. Similarly, the Annual Growth Survey could include each year a chapter on progress with the Europe 2020 targets. Increased use of public benchmarking and ranking on relevant indicators, and comparisons with non-EU countries, could also be considered.

The Commission and the Council should use the existing instruments in terms of warnings and recommendations on the basis of Article 121(4) TFEU more actively. An effective implementation and enforcement of the rules laid down in the six-pack, the two-pack, the fiscal compact and the macroeconomic imbalance procedure should be ensured.

It is also important to ensure a strict implementation of the Article 23 of the Common Provision Regulation which lays down the provisions linking the effectiveness of the European and Structural Funds to sound economic governance. This applies both to the Commission's right to suggest re-allocations of structural funds to support, e.g., the implementation of country-specific recommendations and to suspensions of payments in support of, e.g., the excessive deficit procedure.

Furthermore, the idea of directing EU structural funds towards the most effective reforms should be considered. Contributing to the 2020 strategy and basing spending on for example the challenges identified in the relevant country-specific recommendations is already a legal obligation for structural funds' programs. In addition, the Commission is legally entitled to propose program amendments to maximize the growth and competitiveness impact of programs in support of for example country specific recommendations or the macroeconomic imbalances procedure. It therefore falls upon both the Commission and Member States to ensure that this legal framework is implemented in an ambitious manner. Furthermore, the Commission is invited to put forward a proposal which links a part, say one third, of the already existing performance reserve to reward implementation of structural reforms. This could help create peer pressure for reform and provide easier communication of the strategy to the public.

The country specific recommendations (CSRs) within the European Semester has proven to be an important tool to advance countries' structural reform efforts and spur budgetary prioritisation at national level. The CSRs should continue to play this important role going forward, capturing for each Member State both the short and medium term economic and budgetary challenges as well as the longer term structural challenges as reflected in Europe 2020. To ensure the balance between ambitious recommendations and national ownership, the CSR's should continue to be differentiated across countries in light of their respective challenges.

Governance

The European Economic Governance framework has been substantially strengthened over the last few years, including with the new set of rules on enhanced fiscal governance (six-pack, two-pack, Fiscal Compact), the macroeconomic imbalance procedure and the European Semester and the enhanced economic policy guidance, coordination and surveillance of fiscal policy and structural reform implementation.

Europe 2020 should be seen as an integral part of overall European Economic Governance structure, and thus as an integrated part of the European Semester. The improved economic governance framework will support the overall Europe 2020 objectives of promoting sustainable growth and jobs. Going forward, it will be important to ensure cohesion in the overall framework and an effective implementation of the new rules and procedures.

To ensure a better functioning of the European Semester, National ownership and coordination between all relevant stakeholders should be encouraged. Cooperation within the Commission is equally necessary.