

**Subject:** Europe 2020 Communication

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**Contact:** [Sarah.English@scotent.co.uk](mailto:Sarah.English@scotent.co.uk)

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## EUROPE 2020 – A EUROPEAN STRATEGY FOR SMART, SUSTAINABLE AND INCLUSIVE GROWTH

### Context

Following the Commission's consultation exercise of December 2009 and the Informal Meeting of Heads of State / Government in February this year, the Commission has now published a Communication regarding the "Europe 2020 Strategy" – based on generating "smart, green and inclusive growth" for Europe's economy

### Key strategy messages

The Communication builds on the efforts and activity noted above and details a clear rationale for Europe 2020 as well as outlining five headline targets (with seven corresponding flagship initiatives). It also details EU level instruments deemed essential for the successful delivery of Europe 2020. Finally, the Communication outlines a proposed governance framework to oversee implementation and effectiveness of the Strategy, both at Member State and EU levels.

### A recap of the Europe 2020 context

The current, global economic crisis has exposed fundamental weaknesses of the European "model" for economic growth. Public finances show average deficits of seven per cent of GDP and debt levels of over 80% GDP. However, prior to the crisis, Europe demonstrated a lack of progress across many economic indicators, including productivity and employment rates (especially for women). The pace of reform has been insufficient to address many of these woes and the Communication warns that a continued lack of action could result in "permanent loss". In response to the crisis, however, the EU has shown a range of strengths which require significant reinforcement in the future. These include: the interdependence of the EU's economies (which can strengthen its global positioning); the important role of co-ordination; and the added value of European action, at a global level. The "smart, green and inclusive" agenda which Europe 2020 proposes presents an opportunity for Europe to transform its economic growth.

### Europe 2020 targets and supporting flagship initiatives

Under the auspices of "smart, sustainable and inclusive growth", the Strategy proposes the following headline targets:

- 75 % of the population aged 20-64 should be employed;
- 3% of the EU's GDP should be invested in R&D;
- The "20/20/20" climate/energy targets should be met (including an increase to 30% of emissions reduction if the conditions are right);
- The share of early school leavers should be under 10% and at least 40% of the younger generation should have a tertiary degree; and
- Reduce the number of Europeans living below national poverty lines by 25%. Thus, 20 million less people should be at risk of poverty.

To deliver on these targets, the Commission is promoting the following seven flagship initiatives:

- "Innovation Union" – this aims to improve framework conditions and access to finance for research and innovation, and to ensure that innovative ideas can be turned into products and services for growth and job creation;

- "Youth on the move" – this will enhance the performance of education systems and support the entry of young people to the labour market;
- "A digital agenda for Europe" – this aims to speed up the roll-out of high-speed internet and capitalise on the benefits of a digital single market;
- "Resource efficient Europe" – this aims to decouple economic growth from the use of resources, support the shift towards a low carbon economy, increase the use of renewable energy sources, modernise the transport sector and promote energy efficiency;
- "An industrial policy for the globalisation era" – the objective here is to improve the business environment, through a strong and sustainable industrial base, able to compete globally.
- "An agenda for new skills and jobs" - to modernise labour markets and empower people by developing their skills and increasing labour participation and mobility; and
- "European platform against poverty" - to ensure that the benefits of growth and jobs are widely shared.

#### **EU instruments for delivery of Europe 2020**

The Strategy recognises that the EU must make greater use of the 'tools' available to support Strategy delivery. As such, it is proposed that the Single Market is extended and made stronger. This will support the aim of growth and job creation and address "bottlenecks" to cross-border activity. In addition, key investments through EU mechanisms will be essential – not least the EU Budget and Cohesion Policy instruments. There is also a Strategy emphasis on the mobilisation of private finance. The EU's external policy portfolio is another crucial vehicle for supporting delivery of Europe 2020. This includes the EU's positioning at international fora such as the G20. Importantly, the Strategy notes the importance of the "reform" of the international financial sector in establishing a new direction for recovery from the economic crisis.

#### **Governance framework for Strategy implementation**

The Strategy calls for a strong governance framework, based on "more focus, clear goals and transparent benchmarks for assessing progress". A two-strand approach is proposed based on a thematic approach and focused country surveillance, in relation to the achieving of the headline targets noted above. It is proposed that Europe 2020 and Stability and Growth Pact (SGP) reporting and evaluation will be done simultaneously, while keeping instruments and procedures separate. The objective is to provide a coherent overview of progress which details performance across a range of measures including: analysis of the economic and job situations; the overall budgetary picture; macro-financial conditions; progress on the thematic agendas per Member State; and a review of the overall state of the EU economy. The Strategy will be guided by a small set of integrated "Europe 2020" guidelines. Feedback and dialogue with Member States will also include Policy Recommendations, Opinions and – where necessary – policy warnings.

Overall, the Strategy emphasises the need for Member States to work co-operatively and collaboratively, not just at Member State level but also with regional stakeholders, local partners and all associated institutes and bodies to ensure comprehensive Strategy delivery. Annual monitoring will take place with associated annual, progress reports.

#### **Timescales for action**

- Spring European Council (25 and 26 March) – agreement on Strategy approach and headline targets;
- European Council (June) – approval of Strategy, validation of EU and national targets and endorsement of integrated guidelines; and
- European Council (autumn) – discussion of selected Strategy thematic issue.

Further information: <http://ec.europa.eu/eu2020/>