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The Europe 2020 strategy

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Introduction

The economic and financial crisis has had a severe effect on the economies of the Member States of the EU, emphasised their structural weaknesses, placed strains on the euro and cast doubt on the credibility of Economic and Monetary Union. In order to rectify this situation, the European authorities resolved to define a new strategy for growth and employment and to carry out a thoroughgoing reform of their model of governance.

The Lisbon strategy for growth and jobs thus gave way in 2010 to the Europe 2020 strategy. This defines five key targets to ensure more vigorous growth and create more jobs : founded on the realignment of policies linked to managing the crisis towards structural reforms over the medium and long term, it is focused on strengthening the competitiveness of the European economy, as well as productivity, growth potential, social cohesion and economic convergence.

Alongside this, the EU has geared itself up in order to strengthen policy coordination and monitoring. The existing surveillance mechanisms have been strengthened and new devices have been introduced, notably in the field of macroeconomic imbalances. Furthermore, a single timetable applicable to all these surveillance mechanisms, the European Semester, was introduced as from 2011. This is intended to strengthen consistency between the economic, social and budgetary elements of the policies implemented on the one hand, and between European action and that of the Member States on the other.

The first section of this article sets out the underlying principles of the Europe 2020 strategy. The second describes the new model of governance adopted by the EU and how the European tools ensuring overall cohesion are interconnected. The third is devoted to the commitments made by the Member States in the context of the Europe 2020 strategy as detailed in the national reform programmes drawn up for 2011.

1. Towards a new vision of the European economy : the Europe 2020 strategy

The European integration process is marked out by initiatives intended to coordinate efforts in the political fields of action falling essentially within the spheres of competence of the Member States. During the 1990s, various coordination procedures thus saw the light of day, including the broad economic policy guidelines (BEPG) put in place in 1996 in order to ensure economic convergence between the economies committed to the path towards the euro. The Luxembourg process, launched in 1997, established the institutional basis for the European Employment Strategy heralded a few years earlier by the adoption of five key targets in aid of employment at the Essen European Summit, with the aim of achieving a significant reduction in unemployment at the European level and harmonising the structural reforms to be implemented on the national labour markets. The Cardiff process, instituted in 1998, was focused on coordinating structural policies. Lastly, the Cologne process opened the way, from 1999 onwards, to macroeconomic dialogue.

With effect from 2000, these European initiatives have been led by the Lisbon strategy, the aim of which was to make Europe, within ten years, "the most competitive and dynamic knowledge-driven economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion". It involved an overall strategy that connected up the sectorial strategies existing before it. It focused simultaneously on modernising the European social model, promoting the implementation of structural reforms intended to strengthen competitiveness, laying the foundations of a knowledge-based society and improving the prospects for growth by striking an appropriate economic policy balance. It was supported by guidelines and common targets, and also multilateral surveillance based on a set of indicators and the filing of country reports detailing the policies implemented in the Member States.

In 2005, the mid-term review of the Lisbon strategy by the Commission regretted the multiplicity of priorities and the lack of coordination, emphasising the need to refocus it on growth and jobs. From then on, the renewed Lisbon strategy sought to strengthen integration by setting out a single and coherent strategic vision of the European challenges and also to channel the efforts of the Member States into a set of priority action points. It was given concrete form by the adoption of twenty-four integrated guidelines, embracing not only employment policy but also macroeconomic and microeconomic policy.

The structural problems of the EU – lack of growth and productivity, inadequate participation of the population in the labour market, rather incomplete accommodation of the constraints linked to ageing – have nevertheless persisted whilst new worries were appearing, in particular the greater competition from the emerging economies and the challenges linked to climate change and management of natural resources. Moreover, the crisis in 2008 placed strains on the financial sector and negated part of the efforts to stabilise budgets that had been accomplished in the preceding years.

This is the context in which the Europe 2020 strategy was prepared. It is focused both on strengthening the EU by ensuring a quick exit from the crisis and on promoting "smart, sustainable and inclusive" growth in order to face up to the main long-term challenges represented by international competition and the ageing of the population. Like the Lisbon strategy, it is based on a set of integrated guidelines, now numbering ten, and key targets that have become virtually binding and which are also fewer in number. By way of stronger multilateral surveillance, it attempts to correct the shortcomings of the previous strategy, mainly in terms of the national appropriation of targets and the implementation of structural reforms needed to achieve them.

The principles on which the Europe 2020 strategy is based are laid out in the European Commission's communication dated 3 March 2010 [(1)]. They were discussed and approved by the heads of State and government during the European Council meeting held in March 2010. The Europe 2020 strategy was then endorsed by the European Council in June 2010.

1.1 Towards smart, sustainable and inclusive growth

The Europe 2020 strategy is focused on making the EU a "smart, sustainable and inclusive" economy. These three priorities characterise the vision of the social market economy envisaged by the EU in the aftermath of the crisis. They break down into seven flagship initiatives – broadly-based action areas intended to support quality development of growth and employment.

Each of the flagship initiatives formed the subject of a communication from the Commission during 2010 and 2011. These define courses of action, emphasise the stumbling blocks and the progress expected and set targets – in terms of concrete action to be implemented at the national, European and/or international levels –, priorities, rules of governance and also, where relevant, indicators of progress.

1.1.1 Smart growth

Focusing on "smart" growth means the EU making headway in the fields of innovation and education. In particular, this involves catching up the accumulated backlog with regard to research and development (R&D) as compared to competing economies, so as to improve the competitiveness of the European economy. This lack of competitiveness is due simultaneously to inadequate investment in R&D; overly limited conversion of research findings into commercially available products and services; and far from optimum exploitation of the opportunities offered by information and communication technology (ICT), whether at firm level or within private households. It is for these reasons that the innovation initiative and the digital society initiative have been set up. Alongside this, smart growth means that workers, and in particular young people, have at their disposal the skills needed to exploit this potential for growth. The Youth on the Move initiative gives its backing to the excellence of training, in particular in higher education, and to a successful transition between school and the labour market.

(1) EC (2010a).

1.1.1.1 "Innovation Union [1]"

This initiative contains a set of action points intended to improve the framework conditions for research and innovation, so as to raise the quality of life and preserve the European social model.

These actions are concerned not only with education (encouraging excellence and developing skills) but also with building a framework (bringing about a European Research Area) and funding (optimising the amounts invested in R&D and preventing fragmentation). Furthermore, they are focused on encouraging the transfer of research results and also their concrete expression in terms of innovation, by deriving support in particular from the European Institute of Innovation and Technology established in 2008.

In order to remove obstacles to the conversion of ideas into products and services, it is necessary to improve access to public and private funding for innovative enterprises (particularly SMEs), establish a favourable regulatory and normative framework (single market for innovation, European patent) and facilitate access to the results of public research and the transfer of technology. Moreover, the Commission is envisaging launching European innovation partnerships in certain fields, in particular ageing in good health and eco-innovation.

Monitoring of this initiative is ensured by way of the "Innovation Union Competitiveness Report [2]" published every two years. The first issue came out in June 2011. The report analyses the strengths and weaknesses of national policies on research and innovation by means of a scoreboard containing a set of progress indicators.

In addition, the Commission has put in place a working group tasked with developing an indicator that measures the proportion of high-growth innovative enterprises in the economy, and which will allow a comparison between the EU's performance and that of its main partners. This new indicator will form part of the key European targets as from 2012, alongside the target of investing an amount corresponding to 3 % of GDP in R&D.

1.1.1.2 "A digital agenda for Europe [3]"

The aim of this strategy is to exploit to best effect the potential for growth and cohesion offered by ICT.

Following wide-ranging public consultation, the Commission has defined seven action areas:
- to develop a single digital market;
- to harmonise standards and facilitate interoperability;
- to ensure digital security and combat cyber-crime;
- to promote fast internet;
- to stimulate R&D in ICT;
- to encourage digital culture and skills;
- to exploit the advantages of ICT in order to improve everyday life and address the challenges facing society.

For each of these fields, the Commission has indicated a set of concrete action points to be implemented (about a hundred in total), some of which are accompanied by a timetable. The international dimension of the digital strategy is also taken into account, in particular through the signing of agreements focused on promoting e-commerce and the protection of intellectual property rights.

1.1.1.3 "Youth on the Move [4]"

The aim of this initiative is to improve training for young people and to facilitate their integration into the labour market.

The measures envisaged are supported on four foundations:
- modernising systems of education and training in order to encourage excellence and the acquisition of key skills (improving prevention of students dropping out of school, providing high-quality study advice, adapting school syllabuses to the skills required on the labour market, encouraging apprenticeships and the recognition of non-formal and informal skills, etc.);
- encouraging access to, and the appeal of, higher education (providing funding to non-traditional learners, encouraging student mobility between establishments, guaranteeing the quality of information both with regard to programmes and opportunities for research, developing a performance indicator for universities, etc.);
- encouraging cross-border mobility of young people whether they are studying or already have a job (giving all young people the opportunity to study or undergo training abroad during their course; creating a European "Youth on the Move" card focused on facilitating the integration of young people outside their country of origin and a "European skills passport" intended to assert the value of non-formal skills; developing the European Vacancy Monitor);
- facilitating the obtaining of a first job both in the country of origin and abroad by providing for appropriate support at the start of a professional career.

(1) EC (2010d).
(2) It replaces the old report on science, technology and competitiveness.
(3) EC (2010b).
(4) EC (2010c).

1.1.2 Sustainable growth

Sustainable growth means that the EU commits itself to a path of reducing the consumption of energy, not only with the aim of lowering energy dependence but also in order to lessen the effects of human activity on the environment in general and on global warming in particular. The EU has developed an initiative encouraging the rational use of energy and the development of ecological technologies, which are potential sources of growth and employment. In this context of changing sources of energy supply, moreover, it is important to be able to rely on a leading-edge industrial sector that is competitive and causes little pollution, which is the subject of the initiative devoted to industrial policy.

1.1.2.1 "A resource-efficient Europe [(1)]"

This initiative is focused on encouraging the transition towards a low-carbon economy, by uncoupling growth from the use of natural resources.

The initiative provides for action in four directions:
– stimulating economic performance whilst still using fewer resources;
– looking for and creating new options for economic growth, intensifying innovation and strengthening the competitiveness of the EU;
– ensuring the security of supplies of essential resources;
– combating climate change and limiting the environmental impact of the use of resources.

In this context, it is necessary to exploit the synergies between policies and between sectors to best effect, and take account of the full range of interests in play (including the positive and negative derived effects) when a measure is introduced. This balancing process should improve cost transparency. When applied at the level of products and services, it is capable of improving information for consumers and therefore guiding their choices in favour of initiatives presenting the least environmental impact.

This initiative is essentially focused on defining a legal framework which ensures that the long-term strategies concerned in particular with energy, climate change, research and innovation, industry, transport, agriculture, fisheries and the environment contribute to a more efficient use of natural resources, and in particular energy. This legal framework will be made up of coordinated roadmaps in various fields; for instance, for creating a resource-efficient European transport system. The medium-term measures, some of which are already listed on the 2011 agenda (such as the revision of the policies on water, biodiversity and supply of raw materials), will have to fall into line with this reasoning.

1.1.2.2 "An integrated industrial policy for the globalisation era [(2)]"

The aim of industrial policy is to maintain and strengthen competitiveness whilst taking account of requirements linked to sustainable development.

In the context of this initiative, the European strategies and policies are assessed depending on their impact on the competitiveness of industry in terms of costs, prices and innovation. This horizontal approach is complemented by a sector-specific approach (which takes account of the supranational dimension and the interdependence of activities). Particular attention is paid to the chain of production and the life-cycle of the product, from production infrastructure right through to after-sales service, and from raw material right through to recycling. The development of a strategy for raw materials, which is intended to ensure their supply and sustainable management, is similarly envisaged.

Provision is also made for several initiatives to improve framework conditions of industrial activity (reduction of administrative burden, improvement of access to funding – in particular for SMEs –, strengthening of European standardisation, support for and dissemination of innovation – particularly in energy-efficient technologies –, etc.).

1.1.3 Inclusive growth

The consequences of the prevailing demographic trends are that the dependency ratio, which compares the number of economically inactive people with the number of people in work, is showing a considerable increase. The initiative for new skills and jobs is intended to put in place the conditions for the widest possible participation of people of working age in the labour market, by taking action both on working conditions and on the skills and qualifications of workers. The platform against social exclusion is in turn focused on encouraging the return to employment – the integration factor *par excellence* – and on reducing inequalities.

1.1.3.1 "An agenda for new skills and jobs [(3)]"

This initiative fits into the context of the target of increasing the employment rate by drawing support from a set of courses of action and concrete action points focused on:

(1) EC (2011b).
(2) EC (2010e).
(3) EC (2010f).

- strengthening flexibility and security on the labour market and reducing its segmentation (making provision for flexible and reliable contractual arrangements – through the institution of a single employment contract, for example –; putting in place a policy for lifelong learning by making provision for cost-sharing that is both efficient and gives preference to the most vulnerable workers; improving support for job-seekers; adapting unemployment benefit payments);
- developing the qualifications and the skills needed to carry out a job today and tomorrow (developing monitoring tools with regard to skills; harmonising the systems for recognising professional competence; ensuring that everyone has training that combines specific skills and more general skills facilitating access to employment; encouraging the geographical mobility of workers; tapping the employment potential of migrant workers);
- improving the quality of jobs and working conditions;
- putting in place an environment that favours the creation of jobs (reducing the tax system weighing on labour; relaxing administrative constraints).

1.1.3.2 "The European platform against poverty and social exclusion [1]"

The European platform against poverty and social exclusion concentrates on mobilising the Member States, the European institutions and the other stakeholders around the target of reducing poverty in a context where smaller government budgets will necessitate optimum use of resources and the development of new forms of social inclusion. Moreover, this involves reducing the disparities between the regions of the EU by encouraging types of investment that foster growth and employment in the least favoured regions.

The Commission has established the following lines of intervention:
- taking action at the level of policies as a whole, in particular to encourage access to the labour market, to the social protection system and to essential services (health, housing and education);
- overseeing a wider and more efficient use of European funding to provide support for social inclusion and combat discrimination;
- stimulating social innovation;
- encouraging partnerships between the public and private sectors and exploiting the opportunities offered by the social economy to best effect;
- strengthening policy coordination between the Member States.

The progress achieved will be examined each year at a convention attended by all the stakeholders. Good practice will be highlighted in the context of a mutual learning procedure.

1.2 Five key targets

Contrasting sharply with the multiplicity of targets applying in the context of the Lisbon strategy, the Europe 2020 strategy focuses on a small number of quantified targets affecting four fields on which the EU wishes to concentrate its efforts: raising employment rates; knowledge and innovation; a more sustainable economy; and improving social inclusion.

These involve:

1) raising the total employment rate for men and women between 20 and 64 years of age to 75 % in 2020, by virtue of greater participation of young people, older workers and low-skilled workers, and the better integration of legal migrants;

2) with regard to innovation, raising the total amount of public and private investment in R&D to 3 % of GDP in 2020;

3) with regard to education, reducing the school drop-out rate to less than 10 % and increasing the proportion of people between 30 and 34 years old who have completed tertiary (or equivalent) education to at least 40 %;

4) with regard to climate and energy, reducing greenhouse gas emissions by at least 20 % compared to the level in 1990, increasing the share of renewable energy sources in final energy consumption to 20 % and driving up energy efficiency by 20 % (the "20/20/20" targets);

5) promoting social inclusion, in particular by reducing poverty so that within the EU as a whole, at least 20 million people are no longer faced with the risk of poverty or social exclusion [2].

The targets with regard to energy were already listed in the legislative texts of the EU and mean a sharing of

(1) EC (2010g).

(2) The population at risk of poverty and exclusion is defined by three indicators: the risk of relative poverty, severe material deprivation and the fact of living in a household where there is a low work intensity (for further details, see Section 3.5). The Member States can choose their national targets on the basis of the indicators that they deem most appropriate depending on their specific situation.

burdens between the Member States. In other respects, the countries have been called upon to set their own targets and national paths in close consultation with the Commission, by taking account of their starting position and their specific situation in accordance with the national decision-making procedures.

1.3 General mobilisation to achieve the targets of the strategy

Certain institutions of the EU (Parliament, Council and Commission), the social partners, regional and local authorities and other stakeholders are being called upon to cooperate so as to strengthen the legitimacy of the strategy, so that the efforts of all parties converge on the accomplishment of the five key targets for the long term adopted for the EU.

At the same time, all the policies and more broadly-based tools that the EU has at its disposal need to be harnessed in aid of the Europe 2020 strategy, in order to speed up progress in the priority fields. In particular, this involves improving the operation of markets, both internal (Single Market and competition policy) and external (partnerships with other countries or groups of countries and establishment of an international regulatory framework in certain future-oriented fields such as ecological technologies and products and leading-edge technologies). Furthermore, the EU budget needs to be harnessed in aid of growth and employment by way of programmes supported by the Structural Funds, which are preferential channels of funding for achieving the strategic targets. These include, respectively, the European Regional Development Fund (correction of regional imbalances), the Cohesion Fund (economic and social catching-up of countries lagging behind) and the European Social Fund (improvement of jobs and development of employment opportunities).

2. The new European model of governance

The Treaty on the Functioning of the European Union (TFEU), which took effect on 1 December 2009, lays the foundations of European governance. It defines, among other things, those matters for which the EU has its own powers and those for which it has shared powers, and it creates the institutional framework, where relevant, for the policy coordination and surveillance mechanisms for the Member States.

Since the old surveillance mechanisms had shown their limitations, the European Council made provision in June 2010 for improving the coordination of economic policies and establishing the basis for stronger governance. It outlined a certain number of directions, focused notably on tightening up the stability and growth pact (SGP) and introducing a framework for macroeconomic surveillance. This results in a new three-pronged approach to surveillance, supported by the introduction of a single timetable, the European Semester, intended to achieve better coordination of political action in the budgetary and economic fields.

2.1 Institutional foundations

Unlike monetary policy, which falls within the exclusive sphere of competence of the EU for countries that have adopted the euro, policy on economic, social and employment matters falls within a joint sphere of competence shared between the EU and the Member States. Article 5, paragraph 1 of the TFEU provides that "the Member States shall coordinate their economic policies within the Union. To this end, the Council shall adopt measures, in particular broad guidelines for these policies". Paragraph 2 stipulates that "the Union shall take measures to ensure coordination of the employment policies of the Member States, in particular by defining guidelines for these policies". Finally, paragraph 3 states that "the Union may take initiatives to ensure coordination of Member States' social policies". More extensive special provisions, stipulated in Article 136 of the TFEU, apply to the countries in the euro area.

Moreover, the Treaty makes provision for the coordination mechanisms for these policies: in Article 121 for economic policy, in Article 126 (which sets up the surveillance mechanism for excessive government deficits and, in the near future, will contain the provisions relating to the European Stability Mechanism) for budgetary discipline and Article 148 for employment policy respectively. The mechanisms for coordinating social policies are not established by the TFEU, on the other hand. In this regard, use is made of the open method of coordination, which, by way of the sharing of good practices and the peer-review of national policies, is focused on bringing together the structural reforms implemented in the Member States.

2.2 Integrated guidelines

Together with the employment guidelines (EGL), the broad economic policy guidelines (BEPG) – that provide a framework for macroeconomic policies and national microeconomic reforms – constitute the underlying tool for coordinating the economic and social policies of the EU. In accordance with Article 148 of the TFEU, the EGL are required to be compatible with the BEPG. Although they are adopted separately – the former in the context of the EPSCO Council[(1)], the latter in the context of the ECOFIN Council[(2)] – the EGL and the BEPG together form the integrated guidelines that indicate preferred courses of action to the Member States.

In a quest for simplification and legibility, which chimes with the aspirations of the new European governance, the number of integrated guidelines drawn up in 2010 was greatly reduced. The Recommendation adopted in July 2010[(3)] by the ECOFIN Council has six BEPG, whilst the decision of the EPSCO Council taken in October of the same year[(4)], has four EGL. By comparison, the integrated guidelines adopted in 2008 for the period 2008-2010 had sixteen BEPG and eight EGL.

The integrated guidelines adopted in 2010 envisage that adequate measures are taken, in the context of the broad economic policy guidelines:

1) to ensure the quality and the sustainability of public finances;

2) to address macroeconomic imbalances;

3) to reduce imbalances within the euro area;

4) to optimise support for R&D and innovation, strengthen the knowledge triangle (education, research and innovation) and unleash the potential of the digital economy;

5) to improve resource efficiency and reduce greenhouse gas emissions;

6) to improve the business and consumer environment and modernise and develop the industrial base in order to ensure the full functioning of the Single Market.

In the context of the guidelines on employment policy, efforts need to be concentrated on:

7) increasing labour market participation of men and women, reducing structural unemployment and promoting job quality;

8) developing a skilled workforce responding to labour market needs and promoting lifelong learning;

9) improving the quality and performance of education and training systems at all levels and increasing participation in tertiary or equivalent education;

10) promoting social inclusion and combating poverty.

It should be noted that one of the EGL adopted in 2010 is explicitly focused on social policy. In addition, the integrated guidelines set out the five key targets accepted in the context of the Europe 2020 strategy with regard to innovation (Guideline 4), sustainable development (Guideline 5), employment (Guideline 7), education (Guideline 9) and social inclusion (Guideline 10).

Although the TFEU envisages that the guidelines are updated every year, the Council has agreed that they should remain unchanged up to 2014 in order to allow them time to produce their effects before adapting them, where relevant.

2.3 Coordination mechanisms

The economic and financial crisis emphasised the need to improve coordination of policies and monitoring of the progress achieved. It was from this perspective that the Task Force on Economic Governance conducted its work. Its final report[(5)], published in October 2010, introduces fundamental changes to the coordination mechanisms. Some existing devices look likely to be strengthened, whilst new convergence tools are being, or will soon be, put in place.

From now on, surveillance will be carried out by way of a three-pronged approach. The first is based on the stability and growth pact (SGP) and is concerned with fiscal surveillance. The second, which has yet to be implemented, will establish the institutional framework for macroeconomic surveillance. The third relates to the surveillance of structural reforms and is supported by the progress recorded in the context of the five key targets of the Europe 2020 strategy.

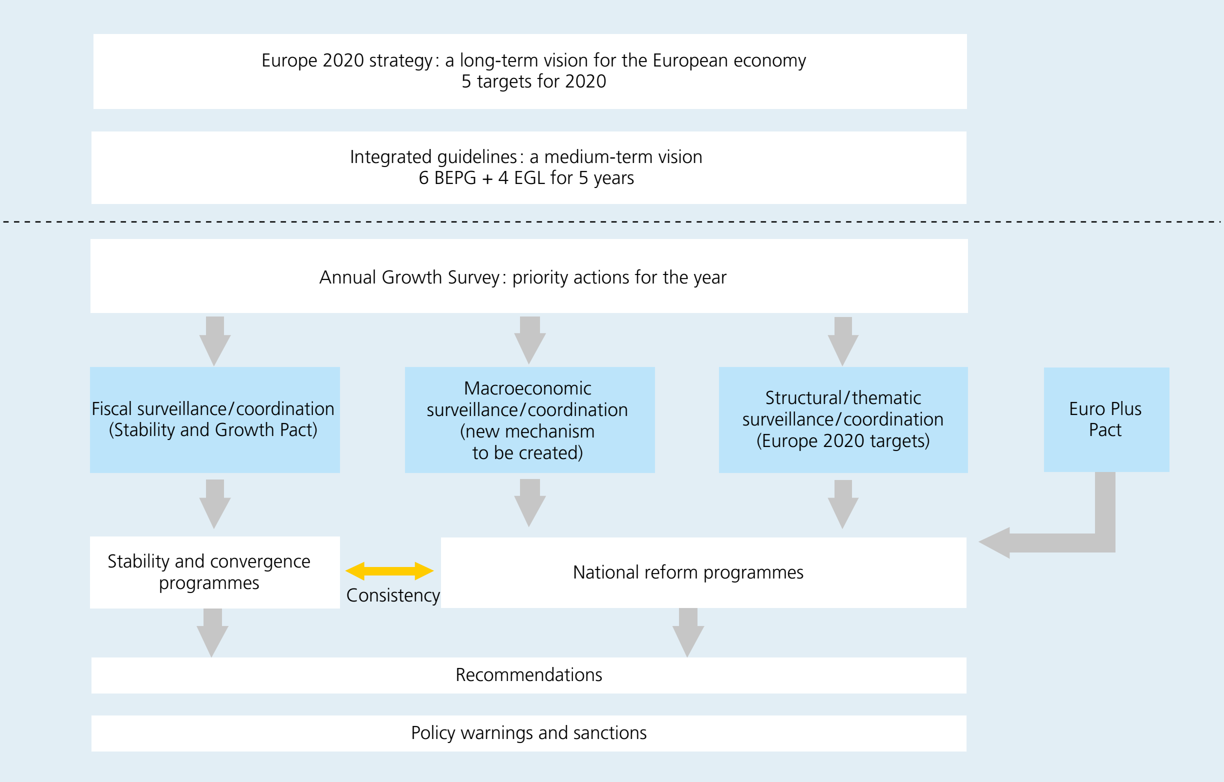
Added to these three channels is the Euro Plus Pact, which envisages stronger surveillance for the member countries of the euro area and the other signatory countries. In addition, the surveillance procedures are governed by the European Semester.

2.3.1 Fiscal surveillance: the stability and growth pact

The SGP launched at the European Summit in Amsterdam in June 1997 is the tool that the countries of the EU have armed themselves with in order to ensure budgetary discipline and prevent the occurrence of excessive government deficits. It imposes on the Member States a requirement

(1) The EPSCO Council brings together the EU's Ministers of Employment, Social and Consumer Affairs.
(2) The ECOFIN Council brings together the EU's Economics Ministers and Ministers of Finance.
(3) EU (2010a).
(4) EU (2010b).
(5) Task Force on Economic Governance (2010).

CHART 1 STRUCTURE OF THE POLICY COORDINATION AND SURVEILLANCE MECHANISMS IN THE CONTEXT OF THE EUROPE 2020 STRATEGY



Sources: EC, NBB.

to have, in the long term, budgets that are close to being in balance or show a surplus and thus contribute to the monetary stability of the EU.

The SGP includes a preventive arm and a corrective arm. The preventive element is represented by multilateral surveillance: the Member States set out their budgetary targets for the medium term in a stability programme (in the case of countries that are members of the euro area) or convergence programme (in the case of the other Member States) which is updated every year, and which also indicates how they intend to arrive at a healthy medium-term budgetary position whilst taking account of the budgetary impact of population ageing. The Commission assesses these programmes and, in the event of a budgetary slippage, an early warning system allows the ECOFIN Council to direct a recommendation to the Member State concerned.

The excessive deficit procedure, as described in Article 126 of the TFEU, constitutes the corrective arm of the pact. It is launched when a Member State exceeds the threshold for government deficit which is set, in the absence of exceptional circumstances, at 3 % of GDP. The ECOFIN Council then issues recommendations for the State to bring an end to this situation and sets a timetable for it to accomplish this. Non-observance of these recommendations leads notably to the application of financial sanctions which may take the form of a non-interest-bearing deposit or a fine.

Following the conclusions of the Task Force on Economic Governance, the European Council approved in March 2011 four new legislative provisions [1] to strengthen the fiscal surveillance and apply measures intended to ensure observance of the fixed rules systematically and at an earlier stage. To rectify the laxity that certain Member States demonstrated during periods of favourable economic conditions, the preventive arm of the SGP will be modified so that control of public finances will be based on a new concept of prudent management of budgetary policy. Sanctions to be applied

(1) The legislative package (four measures linked to budgetary surveillance and two measures linked to macroeconomic surveillance) is currently being debated in the European Parliament.

against a country in the euro area that does not implement the measures necessary to correct its adjustment path will be provided for in the preventive arm. The corrective arm of the SGP will in turn attach greater importance to changes in debt levels, which will form the subject of examination as is the case for budget deficit developments. A system of graduated financial sanctions will be introduced for the Member States in the euro area. Lastly, minimum requirements, linked notably to systems of public accounting and statistics, will be imposed on the Member States as far as budgetary policy is concerned.

2.3.2 Surveillance of macroeconomic imbalances

Alongside the strengthening of fiscal surveillance, the European Council introduced in March 2011 a new element of economic coordination in the EU. This involves a procedure for carrying out surveillance of macroeconomic imbalances and represents the counterpart to the excessive (budget) deficit procedure.

As in budgetary matters, the procedure will include a preventive arm and a corrective arm. Based on a regular assessment supported by a scoreboard of economic indicators, the Commission will endeavour to identify those Member States showing signs of risk at an early stage. The Council will be able to adopt recommendations with respect to a Member State showing signs of serious imbalances and/or presenting a threat to the healthy functioning of Economic and Monetary Union and, if appropriate, launch an excessive imbalance procedure, which will translate into a national action plan accompanied by deadlines for implementation. Any Member State that repeatedly fails to conform in this regard would lay itself open to a fine consisting of the annual payment of an amount proportional to GDP.

2.3.3 Surveillance of structural reforms: the thematic approach

In contrast to the surveillance procedures for budgetary and macroeconomic matters which include a corrective element, thematic surveillance is mainly supported by peer pressure.

In this context, the European Council examines the economic situation and the employment situation in the EU every year. It adopts conclusions on the basis of these exercises and formulates a group of guidelines, the BEPG and the EGL, intended to guide national economic and employment policies.

In response to these strategic guidelines, the Member States are called upon to supply information about the measures that are implemented or planned. Since the introduction of the Europe 2020 strategy, they bring all this information together into a single document, the national reform programme, in which they identify the main obstacles (or bottlenecks) standing in the way of growth and job creation, as well as the measures envisaged to remove them. Similarly, this document shows the translation of the five key targets into national targets and the initiatives taken, or to be taken, to set the country on the defined path.

The Commission examines the commitments and policies of the Member States in the light of the guidelines. It can direct a warning to those countries whose economic or employment policies do not conform to the BEPG or EGL. Following this examination, the Council, on the basis of a proposal from the Commission, may address recommendations to the Member States if it deems this to be appropriate.

2.3.4 Euro Plus Pact

Added to the three surveillance mechanisms referred to above is the Euro Plus Pact, itself also adopted during the European Summit in March 2011. This new pact is intended to provide further coordination of the economic policies of the signatory Member States, that is to say the countries in the euro area with the addition of Bulgaria, Denmark, Latvia, Lithuania, Poland and Romania, with the aim of improving competitiveness and achieving a greater degree of convergence.

The Euro Plus Pact is based on four guiding principles:
- it follows the model of governance that already exists in the EU and is compatible with the existing tools (the Europe 2020 strategy, the integrated guidelines, the SGP, the new framework of macroeconomic surveillance and the European Semester) but means additional and more ambitious commitments than those that have already been approved; these need to be listed in the stability and convergence programmes and in the national reform programmes;
- it gives preference to concrete action in essential fields, directed according to common goals, to encourage competitiveness, promote employment, improve the viability of public finances and strengthen financial stability;
- commitments are undertaken every year; they specify the measures to be implemented in the following twelve months by following the example of best practices and best-performing countries. Annual monitoring of these commitments is carried out by the Commission;
- the signatory countries commit themselves to completing the Single Market.

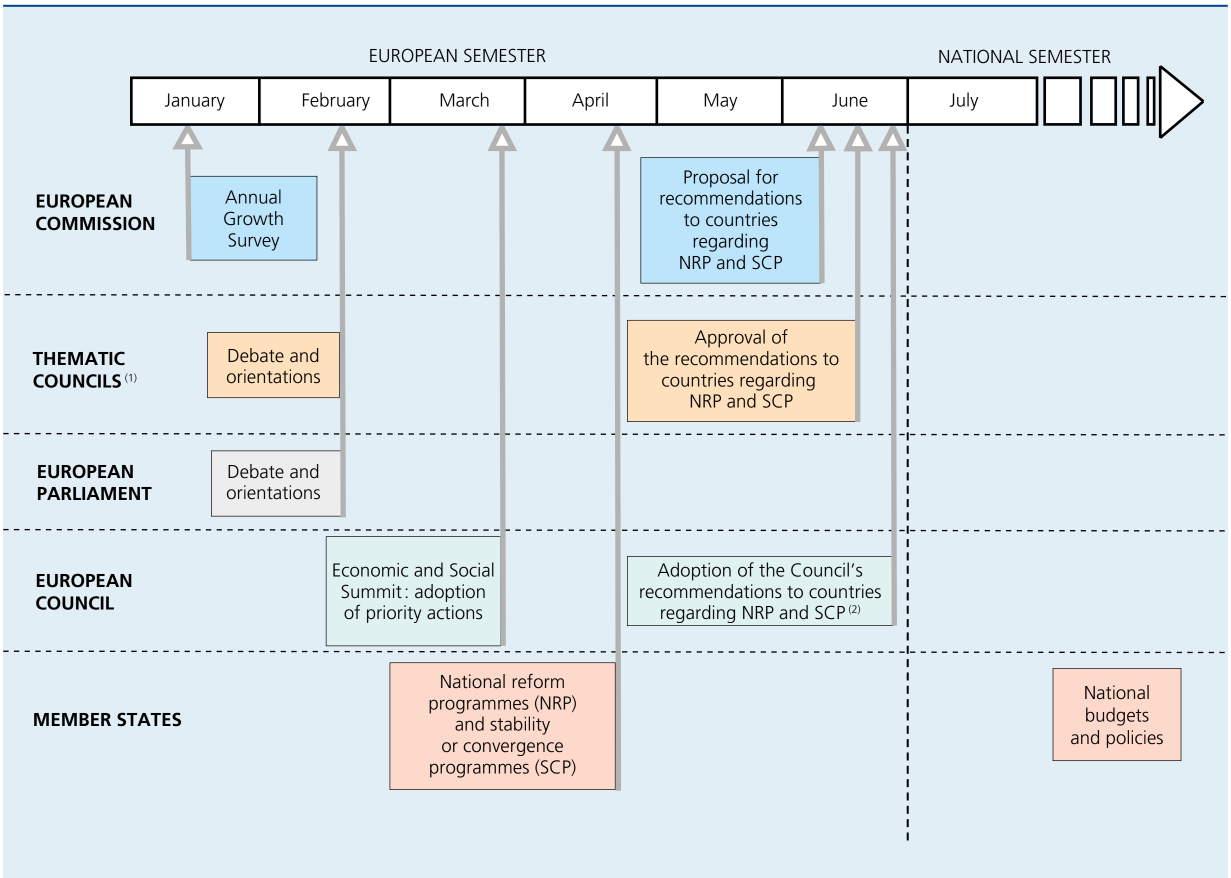
2.3.5 The European Semester

The introduction of the European Semester marks a turning point in the method of implementing European policy on growth and jobs. Up to now, discussions between the EU and the Member States relating to budgetary and economic policies, and also structural reforms, followed independent procedures accompanied by specific timetables for filing reports, examining progress and formulating recommendations to the Member States. The institution of a European Semester allows the efforts of the Member States to be coordinated and directed according to long-term targets and the priorities defined for the year to come.

The introduction of the European Semester also results from the conclusions of the Task Force on Economic Governance. It is the only measure already implemented since it requires no amendment of the TFEU. This concept had already been referred to in the conclusions of the European Council meeting in June 2010. It was a question of bringing forward the filing date for the stability and convergence programmes so that the budgetary plans of the Member States could be judged by their peers and any adjustments in the light of these comments could be introduced before the adoption of definitive budgets at the national level.

The concept of the European Semester actually refers to all the policy surveillance and coordination processes. This exercise starts with the Annual Growth Survey carried out in January by the European Commission. The latter draws up a set of annual priority actions which, once approved by the European Council in March, are taken into account in the economic, social and budgetary policies implemented within the Member States. Their commitments are formalised in the national reform programme and the stability or convergence programme

CHART 2 STRUCTURE OF THE EUROPEAN SEMESTER IN THE CONTEXT OF THE EUROPE 2020 STRATEGY



Sources: EC, NBB.

(1) For reasons relating to the organisation of its work, the Council meets in various configurations (in particular ECOFIN for economic and financial matters and EPSCO for employment and social affairs), which bring together those Ministers of the Member States and European Commissioners responsible for the fields concerned.

(2) Although envisaged for July under the European Semester plan, the approval of the country recommendations by the European Council for 2011 took place during the meeting of 23 and 24 June 2011.

that they need to submit to the Commission by the middle of April. These documents are examined by the Commission, which formulates recommendations intended to feed into the discussions within the various configurations of the Council and to allow the European Council to adopt the recommendations provided for by the surveillance mechanisms in June.

The European Semester is based on closer cooperation between the institutions of the EU. Whilst the Commission fulfils the driving role by starting off the Semester with the Annual Growth Survey, the priority actions that it puts forward are debated in the various configurations of the Council as well as in the European Parliament, before being adopted by the European Council. The recommendations – following on from the examination of the stability and convergence programmes and the national reform programmes – directed to the Member States at the suggestion of the Commission similarly form the subject of discussion before being ratified by the European Council.

2.3.5.1 Annual Growth Survey

The Annual Growth Survey is the first stage in the European Semester. It involves an annual communication in which the European Commission reviews the major challenges facing the EU and defines priority actions with a view to managing them. These priorities fall within the scope of the wider framework of the integrated guidelines adopted for five years.

The Annual Growth Survey includes three other documents devoted to the progress made in implementing the Europe 2020 strategy at the level of the Member States (Progress Report on Europe 2020) and to detailed analyses of the economic situation (Macroeconomic Report) and the labour market situation (Draft Joint Employment Report from the Council and the Commission), from which the Commission draws support in order to formulate its priority actions. These documents are intended to feed into the work of the March European Summit.

Given that 2009 and 2010 were characterised by the economic and financial crisis triggered in 2008, the Commission's communication published in January 2011 is focused on speeding up the recovery in the EU, guiding it onto the path of strong economic growth and a high employment rate in order to prevent it lagging behind its competitors and to move it forward towards the key targets of the Europe 2020 strategy. In this context, the Commission has identified ten priority actions to strengthen the recovery in the short term and the competitiveness of the European States. These priority actions promote macroeconomic stability (through rigorous stabilisation of budgets, evening out of macroeconomic imbalances and restructuring of the financial sector), increased mobilisation of national labour markets and structural reforms intended to strengthen growth, thus placing the emphasis on the need for an integrated approach to the recovery.

The conclusions of the European Summit held in March 2011 largely follow the lead provided by the priority actions defined in the Annual Growth Survey. The European Council thus emphasised the fact that the Member States needed to endeavour, as a matter of priority :

– to restore confidence by bringing the debt trends down to sustainable levels and take steps so that deficits fall back below the 3 % threshold ;
– to make work more attractive ;
– to help the unemployed to get back to work ;
– to combat poverty and promote social inclusion ;
– to invest in education and training ;
– to strike a balance between security and flexibility ;
– to reform pension systems ;
– to attract private capital to finance growth ;
– to stimulate research and innovation ;
– to allow access to energy at an affordable price and strengthen energy efficiency policies.

Given that the European Semester was implemented for the first time in 2011, the documents published by the Commission in January are to a large extent directed towards future prospects, each of them giving different expression to the priorities defined in the context of the integrated guidelines adopted in 2010.

In its Progress Report on Europe 2020 in January 2011, the Commission argues in favour of reforms that do not necessitate major public investment, lend themselves to rapid implementation and have a marked impact on growth and the creation of jobs. In particular, it proposes the completion of the Single Market, the implementation of the Services Directive and an improvement in the functioning of public procurement and infrastructure in the fields of sustainable energy, transport and information technology. Similarly, it takes stock of the national translation of the European key targets on the basis of the provisional national reform programmes filed by the Member States in Autumn 2010. In this regard, it regrets the fact that the national targets have been set in an overly unambitious way. In most cases, the summation of the national results is not actually sufficient to achieve the European target. Moreover, the preparation of long-term paths does not seem to have mobilised enough attention, whereas in the spirit of the strategy, the aim is to prompt the Member States to implement, at the earliest possible point, concrete reforms where progress is measurable.

The Macroeconomic Report takes stock of the EU's situation in the wake of the crisis and emphasises the imbalances and weaknesses that continue to gnaw away at its growth potential. It then specifies the most appropriate measures to put public finances back on an even keel and stabilise the financial sector. Lastly, it argues for the rapid implementation of structural reforms capable of improving the functioning of the labour and product markets, so as to even out macroeconomic imbalances and re-start the engines of growth.

The Joint Employment Report reviews the courses of action that are essential for implementing the integrated guidelines in the fields of employment (Guideline 7), education (Guidelines 8 and 9) and social inclusion (Guideline 10). Moreover, it insists on the need to move without delay from a business-cycle-oriented management of the labour market to structural reforms, and specifies the directions that the Member States are requested to take into account when establishing their national reform programmes. These refer, for example, to the mechanisms for setting wages, the systems for unemployment benefit payments and the other social benefit schemes, and likewise to the systems for organising work and working time. In a context where budgetary resources are limited by the necessary stabilisation operations, the Commission argues for the establishment of priorities within the spectrum of measures to be implemented, taking account both of their cost and the time needed for their effects to be felt on the labour market.

2.3.5.2 National responses : the stability and convergence programmes and the national reform programmes

Based on the priority actions laid down by the European Council, from mid-April onwards the Member States put forward their national commitments in their national reform programmes and their stability or convergence programmes. The former details the measures implemented at national level to even out macroeconomic imbalances and the structural reforms undertaken in the context of the Europe 2020 strategy, and also the commitments made in the context of the Euro Plus Pact, whilst the latter contains the medium-term strategy for stabilising public finances.

In principle, the national reform programmes all display the same structure comprising, apart from a description of the macroeconomic context and the trends expected in the medium term, a listing of both the main obstacles (or bottlenecks) standing in the way of growth and job creation and the measures envisaged to remove these obstacles ; these reform programmes also take stock of the translation of the key targets of the Europe 2020 strategy into national targets and the initiatives taken, or to be taken, to set the country on the defined path. In principle, it is also necessary to show how each measure contributes to meeting the targets.

In practice, the structure and content of the national reform programmes sometimes differ considerably. Nevertheless, with the exception of that of the United Kingdom, they all refer to the national targets adopted by virtue of the Europe 2020 strategy. In some cases, the targets are only a range. A few countries, including Belgium, have moreover adopted subsidiary targets, notably with regard to employment. Although this practice conforms to the guidelines on employment policy which provide that specific efforts need to be made in aid of those groups of the population with the lowest participation in employment, it conflicts with the spirit of the Europe 2020 strategy which consists in crystallising efforts around a small number of targets accepted by all.

The national targets adopted by the Member States in the five key fields of the Europe 2020 strategy are contained in Section 3 of this article.

2.3.5.3 Assessment of national policies and recommendations

The conformity of the convergence and stability programmes and the national reform programmes with regard to the integrated guidelines was examined in accordance with the procedures laid down by the TFEU during the months of May and June 2011.

The Commission published the closing report on the first European Semester for coordinating economic policy in June[1]. It also published recommendations for the euro area as a whole and for each of the Member States of the EU, accompanied by a technical document containing the elements of analysis underpinning them. The concern for policy coordination and integration that characterises the Europe 2020 strategy and the reform of governance was expressed in the publication of country recommendations which, for the first time, relate to all the fields of coordination and surveillance. Consequently, the opinion with regard to budgetary matters (which follows from the SGP) and the advice with regard to economic and employment policies can be found in a single document.

(1) EC (2011c).

In this closing report, the Commission emphasises the effectiveness of this method of governance for developing integrated European and national policies, insofar as the Member States integrate the European recommendations into their national decision-making processes during the following six months, referred to as the National Semester.

In broad terms, the Commission recommends undertaking national action to rectify budgetary and macroeconomic imbalances, improve the functioning of the labour market and create an economic environment that fosters business development.

It calls for a rapid stabilisation of public finances to be accomplished by paying particular attention to the quality of expenditure. Member States should put in place the reforms needed to bring the current account balance back to parity, by improving competitiveness for those countries in deficit (structural reforms or reforms relating to the mechanisms for setting wages) and by driving up domestic demand for those countries displaying a balance that is in surplus. Moreover, the capacity of the banking sector to respond to the requirements of the economy needs to be improved.

The Commission suggests several control levers for increasing participation in employment. Amongst other things, this involves encouragement for keeping older people in employment. The strengthening of support for job-seekers – especially the most vulnerable – is essential to counteract the effects of the crisis. In this context, some Member States need to improve access to lifelong learning but also, at an earlier stage, the performance of their education systems. Social and fiscal aspects holding back access to employment need to be removed.

The development of enterprises needs to be supported by eliminating unjustified barriers to entry – particularly in the services sector – and by encouraging competition in the network industries. According to the Commission, it is similarly appropriate to improve access to funding for innovative enterprises and to reduce the administrative burden weighing on companies, whilst improving the efficiency of public administrations and the judicial system.

The country recommendations were approved by the European Council during the Summit of 23 and 24 June 2011. The five Member States benefiting from financial assistance from the European Union and the IMF did not receive specific recommendations. These countries comprise Greece, Ireland, Portugal, Latvia and Romania. This assistance is indeed granted subject to the implementation of an action programme appropriate to the position of the country concerned, and where the emphasis is placed on stabilisation of the budget and structural economic reforms. These five countries need to implement the agreed programme without fail; hence the single recommendation inviting them to apply it. This is also the reason why Portugal and Greece did not set out a stability programme this year.

3. Translation of the five European strategic targets into national targets

This section details the translation of the five key targets of the Europe 2020 strategy appearing in the national reform programmes filed by the Member States of the EU. The latest achievements in each regard are compared with the targets set for 2020 – allowing an assessment of the efforts which remain to be delivered – and the position of Belgium is compared with that of the other countries in the Union. When setting their national targets, the countries take account of their starting position. Thus, each Member State makes a contribution to achieving the European targets according to its means and its ambitions.

3.1 Target for employment

The countries that posted the highest employment rates in 2010 are similarly the ones that have set themselves the highest targets, and in fact higher than the European target of 75 %. The countries involved are Sweden, the Netherlands and Denmark, which have committed themselves to raising the proportion of people in the age group between 20 and 64 years old who are in work to 80 %. However, some Member States whose employment rate was below the European average – which was 68.6 % in 2010 – are proving to be more ambitious: they are focusing on improvements exceeding 9 percentage points in ten years. This applies to Hungary, Bulgaria and Estonia as well as Spain which is thus setting itself apart from the other countries in the south of Europe. Comparison of the relative efforts is nevertheless complicated by the consequences of the economic and financial crisis, which caused the employment rate to fall and sometimes to a considerable extent. Amongst the Member States that have joined the EU more recently, the increases expected in the employment rate are generally higher than those for the old members, owing to the continuation of the effects of catching up.

The Belgian authorities have set themselves an employment rate target equivalent to 73.2 % by 2020, that is to say an improvement of 5.6 percentage points in ten years, which means the average net creation of 56 000 jobs every year up to 2020. By way of comparison, the improvement

Recommendations directed at Belgium

The recommendations addressed to Belgium on the basis of the analysis of its stability programme and its national reform programme which were approved by the European Council in June 2011 comprise six items. During the period 2011-2012, Belgium is required to:

- "take advantage of the ongoing economic recovery to accelerate the correction of the excessive deficit. To this end, take the necessary specified measures – mainly on the expenditure side – by the time of the 2012 budget to achieve an average annual fiscal effort in line with the recommendations under the excessive deficit procedure, thus bringing the high public debt ratio on a declining path. This should bring the government deficit well below the 3 % of the GDP reference value by 2012 at the latest. Ensure progress towards the medium term objective by at least 0.5 % of GDP annually;
- take steps to improve the long-term sustainability of public finances. In line with the framework of the three-pronged EU strategy, the focus should be put on curbing age-related expenditure, notably by preventing early exit from the labour market in order to markedly increase the effective retirement age. Measures such as linking the statutory retirement age to life expectancy could be considered;
- address the structural weaknesses in the financial sector, in particular by finalising restructuring of the banks in need of an adequately funded and viable business model;
- take steps in order to reform, in consultation with the social partners and in accordance with national practice, the system of wage bargaining and wage indexation, to ensure that wage growth better reflects developments in labour productivity and competitiveness;
- improve participation in the labour market by reducing the high tax and social security burden for the low-paid in a budgetary neutral way and by introducing a system in which the level of unemployment benefits decreases gradually with the duration of unemployment. Take steps to shift the tax burden from labour to consumption and to make the tax system more environmentally friendly. Improve the effectiveness of active labour policies by targeting measures at older workers and vulnerable groups;
- introduce measures to boost competition in the retail sector, by lowering barriers to entry and reducing operational restrictions; and introduce measures to strengthen competition in the electricity and gas markets by further improving the effectiveness of the sectoral regulatory and competition authorities."

was 40 000 units between 2000 and 2010 (1). By 2020, close to five million people between 20 and 64 years of age would thus be in employment in Belgium.

Assuming that the commitments made by the Member States are honoured, and excluding the United Kingdom (which has not set a quantitative national target) from the calculation, the average employment rate in the EU in 2020 should only amount to 73.7 % or 74 %, according to whether the minimum or maximum value of the ranges given by those Member States not supplying a precise quantitative target is taken into consideration. The strategic target of 75 % would therefore not be met.

In this case, the employment rate in Belgium would be less than one percentage point lower than the anticipated European average. Nevertheless, a gap of close to 7 points would remain compared to the level anticipated in those countries where the targets for participation in employment are highest.

In tune with the reasoning behind the integrated guidelines, which advocate raising the employment rate by way, in particular, of greater participation by young people, the elderly, those with low-level qualifications and migrants with legitimate status, a minority of countries have set themselves subsidiary targets for employment. However, the performance of these Member States will only be assessed on the basis of their overall employment rate.

Belgium is one of the countries that have adopted subsidiary targets concerned with the employment of certain at-risk groups, whose employment rate is lower than the average and in some cases particularly low. The employment rate for women would need to climb from 61.6 % in 2010 to 69.1 % in 2020. The rate for people between 55 and 64 years of age would need to improve by close to 13 percentage points to reach 50 %. The improvement

(1) Based on the harmonised data from the labour force surveys (EC).

in results with regard to employment of non-European citizens has been formulated in terms of reducing the gap between the employment rate for this group and that for Belgian citizens. In 2010, the difference stood at 28.4 percentage points. Belgium not only recorded the lowest employment rate for non-European citizens in the whole of the EU (40.4 %) but also, expressed in percentage points compared to the employment rate of Belgian nationals, it also posted the highest gap after Sweden (where it reached 32.5 percentage points). Within a decade, this gap will have to contract to less than 16.5 points. Lastly, the share of young people (15-24 year-olds) who are not in employment, education or training would need to reach 8.2 % at the most in ten years, that is to say a fall of around 3 percentage points compared to 2009.

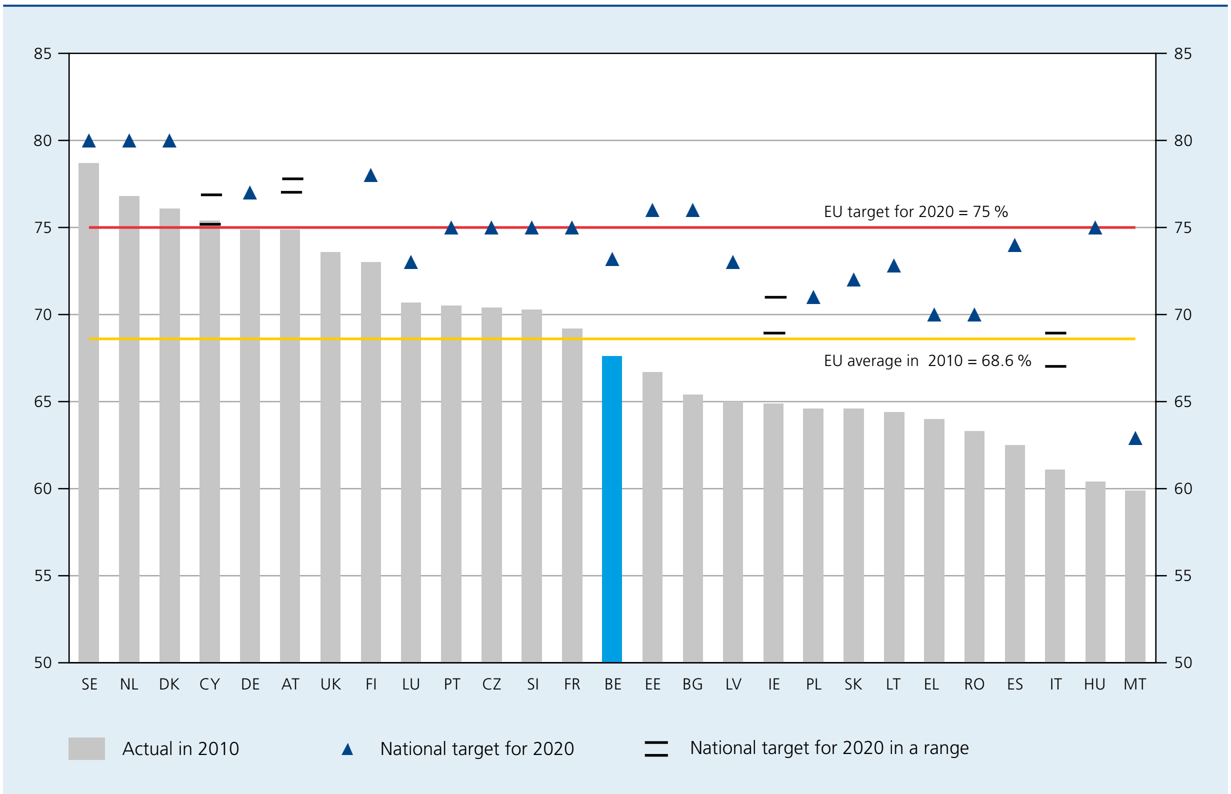
In their national reform programmes, the Member States of the EU put forward a set of measures intended to fulfil their targets in accordance with the provisions of Europe 2020 (and, where relevant, the commitments made in the context of the Euro Plus Pact), the integrated guidelines and the priority actions raised by the European Council, whatever the level of power from which competence is derived with regard to employment. Thus, in Belgium, the federal government (caretaker government at the time of filing the 2011 reform programme) has undertaken a certain number of action points in the short or medium term falling within its sphere of competence and affecting the priority actions raised, whilst the Regions – which have wide-ranging responsibilities with regard to employment – have planned initiatives in the field of support for job-seekers in particular.

3.2 Target for innovation and R&D

On average within the EU, gross domestic expenditure, both private and public, devoted to R&D [1] will have to reach 3 % of GDP by 2020. In 2008 [2], with a share

(1) According to Eurostat, which refers to the Frascati Manual (OECD, 2002), "research and experimental development (R&D) encompasses creative work undertaken on a systematic basis in order to increase the stock of knowledge, including knowledge of man, culture and society, and the use of this stock of knowledge to devise new applications".
(2) Source: EC (Eurostat).

CHART 3 EMPLOYMENT RATE
(in % of the population between 20 and 64 years of age)



Sources: EC, National reform programmes 2011 of the countries in the EU.

TABLE 1 EMPLOYMENT TARGETS SET BY BELGIUM TO BE ACHIEVED BY 2020
(in % of the corresponding population, unless stated otherwise)

	Belgium 2010	Belgium 2020	EU 2010	EU 2020
Total employment rate (20-64 year-olds)	67.6	**73.2**	68.6	**75.0**
Employment rate for women (20-64 year-olds)	61.6	**69.1**	62.1	
Employment rate for older workers (55-64 year-olds)	37.3	**50.0**	46.3	
Gap in employment rate between national and non-EU citizens (20-64 year-olds, percentage points)	28.4	**< 16.5**	10.5	
Share of young people who are not in employment, education or training (15-24 year-olds)	11.1 (1)	**8.2**	12.4 (1)	

Sources: EC, National reform programme of Belgium 2011.
(1) Data for 2009.

estimated at 1.92 %, the EU was still facing a substantial gap in this field compared to the United States and Japan, that is to say of 0.9 and 1.5 percentage points respectively. In 2009, the share of expenditure on R&D in the EU increased slightly, to reach 2.01 % of GDP.

A major disparity in actual and target figures can be seen between the 27 Member States with regard to R&D. In the majority of the States that joined the EU in 2004 or 2007, the share taken by this investment is markedly lower than the European average. Out of these twelve countries, eight displayed expenditure on R&D lower than 1 % of GDP in 2009. With the exception of Estonia and Slovenia, none of the new Member States signed up to a target higher than 2 %. At the other extreme, the Scandinavian countries are the most advanced with ratios ranging from around 3 % to 4 % of GDP in 2009. The commitments for 2020 are already achieved there, or nearly so. Belgium posted a share of expenditure on R&D of 1.96 % in 2009, close to the European average. The country has set itself the same target as the EU as a whole, that is to say 3 %. The Commission has calculated that, overall, even if the countries met the quantitative targets that they have given themselves for 2020, the share of GDP taken up by gross domestic expenditure on R&D would remain between 2.65 % and 2.72 %.

However, the amount of expenditure on R&D is not sufficient to generate the "smart" growth to which the EU aspires. This is why the European Council requested, during the Summit held on 25 and 26 March 2010, the addition of an indicator referring to innovation results (see Section 1.1.1.1, the flagship "Innovation Union" initiative). After examining the conclusions of a high-level working group, the Commission decided to propose an indicator based on high-growth innovative enterprises. Some time is needed to prepare the indicator so that it will not be possible to take it into account before the year 2012.

In Belgium, the Communities and Regions are equipped with wide spheres of competence with regard to innovation. Basic and applied research at the establishments of higher education falls essentially under the competence of the Communities [1], whilst research based on the economy, technological development and the promotion of innovation falls under the Regions. The initiatives planned differ from one region to the other and are dependent on their comparative advantages, but they all have the target of becoming knowledge-based economies, through an integrated approach to innovation.

3.3 Targets for energy

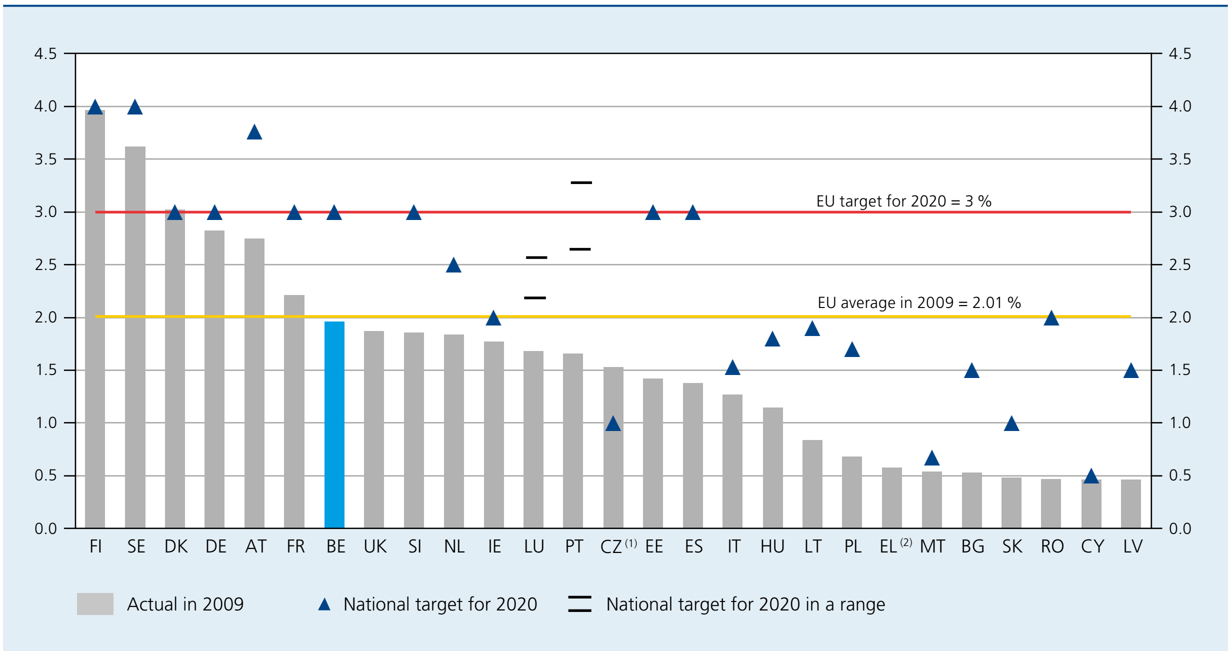
With regard to the environment, the EU has adopted a strategy for combating global warming that pursues the three targets listed below ("20/20/20").

The EU has committed itself to reducing its greenhouse gas emissions by at least 20 % between 1990 and 2020. With regard to the period 2005-2020, this target means a reduction of 21 % in emissions originating from the sectors covered by the EU ETS (the European Community's system for trading permits for emitting greenhouse

(1) The federal State and the Regions are similarly able to entrust the research activities falling within their sphere of competence to the higher education establishments.

CHART 4 SHARE OF GDP ACCOUNTED FOR BY GROSS DOMESTIC EXPENDITURE ON R&D

(in %)



Sources: EC, National reform programmes 2011 of the countries in the EU.
(1) The target of the Czech Republic is limited to public expenditure on R&D.
(2) The latest figure for Greece is an estimate referring to 2007.

gases)[1] and a reduction of 10 % in emissions originating from the sectors not covered by the EU ETS. To achieve this overall target of 10 %, efforts have been distributed according to the principle of burden-sharing: each of the 27 Member States has accepted specific limits for greenhouse gas emissions that are contained in the European climate and energy package. Efforts are distributed by taking account of each country's starting position, in particular the effects of catching up for some of them. Thus, Bulgaria and Romania, which joined the EU in 2007, are authorised to emit markedly more than others but still within the limit of legally binding ceilings. In Belgium, greenhouse gas emissions will need to fall by 15 % between 2005 and 2020.

Across the EU, the share of renewable energy sources would need to represent 20 % of gross final energy consumption in 2020. The method of setting targets in this regard is also based on a fair distribution of efforts between the Member States, taking account of the opportunities for developing this type of energy source at the national level[2]. The requirements range from 10 % in Malta to 49 % in Sweden. In Belgium, the share of renewable energy sources as a percentage of gross end-consumption of energy would need to reach 13 % in ten years, having been only 3.3 % in 2008, which was markedly lower than the European average.

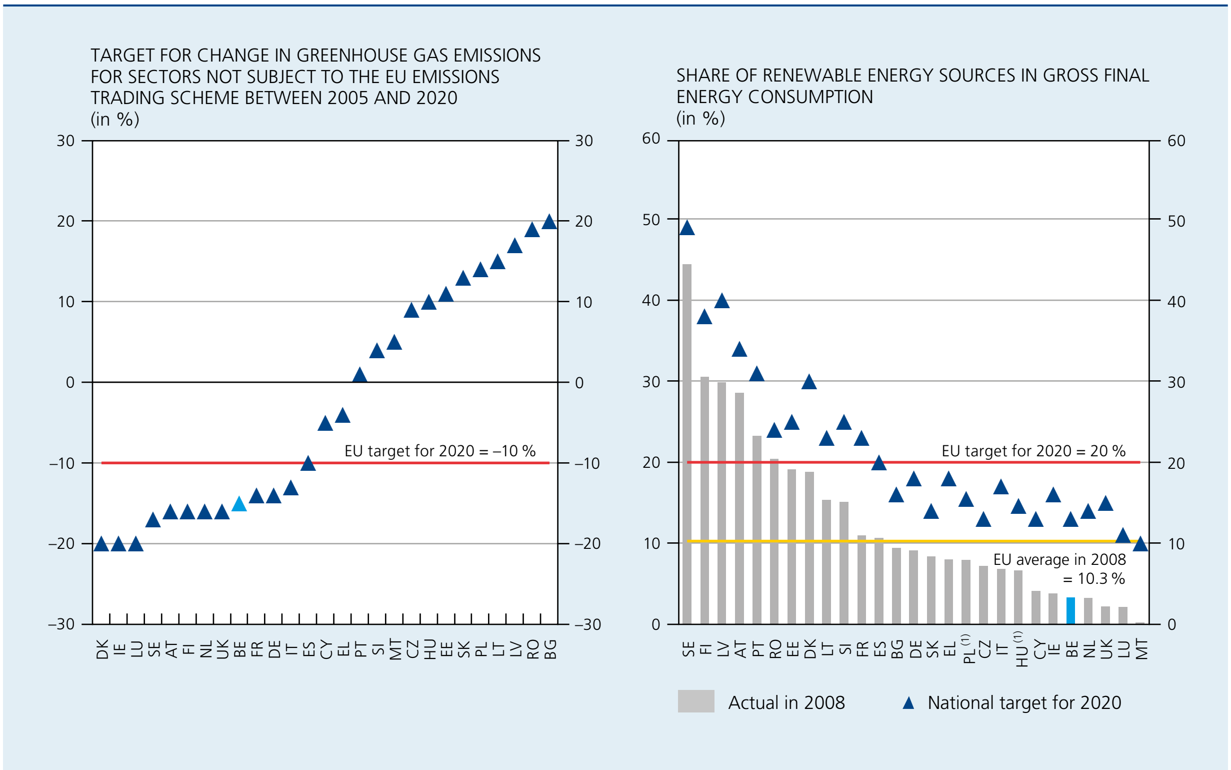
At the same time, the EU has signed up to a target of 20 % for boosting energy efficiency. For Belgium, the target is expressed by comparison with the PRIMES 2007 reference scenario[3]; in 2020, consumption of primary energy would need to be 18 % lower than that of this projection, which assumes that policy remains unchanged. This fall represents an energy saving of 9.8 megatonnes of oil equivalent. The energy efficiency targets are not directly comparable from one country to another since they are dependent on the year or reference scenario used. However, adding up the national targets announced,

(1) Each permit gives the right to emit one tonne of CO_2. The Member States need to define national allocation plans for each trading period, which consists in indicating the number of permits that each plant will receive annually. Enterprises whose emissions are lower than the permits allocated can sell the unused permits at a price set by supply and demand at the time of selling. Those that have problems in not exceeding their permits can take measures to reduce their emissions or buy additional permits. At the present time, the system applies to 11 000 European plants that are responsible for around 50 % of the CO_2 emissions and 40 % of the greenhouse gas emissions generated overall in the EU. As trading periods succeed one another, the field of application of the EU ETS is extending in terms of pollutants, plants and countries concerned.

(2) These opportunities are dependent notably on the countries' geographical characteristics.

(3) Energy model used notably by the Federal Planning Bureau and which serves as a reference for estimating primary energy savings. The energy projections described in the model do not take account of the impact of the economic and financial crisis on the energy system since they were prepared before 2008.

CHART 5 TARGETS IN THE CLIMATE AND ENERGY PACKAGE



Source: EC.
(1) Own target (slightly higher than the climate and energy package).

the European Commission has estimated that energy efficiency will not be improved sufficiently.

With regard to energy and climate issues, the priority measures in the Belgian national reform programme follow from the implementation of the climate and energy package. In order to contribute to meeting the targets that have been set, the federal authorities, which are responsible notably for product policy and the tax system applicable to energy, need to apply certain measures in these fields. As for the Regions, which are responsible for nature conservation and the rational use of energy, amongst other things, they are developing climate policy plans and action plans with regard to energy efficiency that are compatible with the commitments made at the European and international levels.

3.4 Targets for education

The level of education achieved is a determining factor for sustainable integration in the labour market. As a result, targets have been defined in terms of reducing the number of early school leavers, on the one hand, and expanding the number of those holding qualifications from higher education, on the other. Since starting positions vary, national targets differ and sometimes lie markedly above or below the European key target.

The school drop-out rate, or in other words the proportion of the population between 18 and 24 years of age not following a course of study or training and whose level of education does not exceed lower secondary education, varies between 4.7 % in Slovakia and 36.9 % in Malta. With the exception of the latter country, all Member States joining the EU in 2004 displays rates below the European average – which stood at 14.1 % in 2010 –, whilst the majority of the countries in the south of Europe and also the United Kingdom and Romania record higher levels. In Spain and Portugal, more than one in four young people between 18 and 24 years of age is an early school leaver. These countries have resolved to reduce this proportion by half.

In Belgium, the school drop-out rate was close to 12 % in 2010, that is to say a rate lower than the European average. The target to be achieved at the national level is to reduce this to 9.5 % at the most. The effort to be made equates to a fall of 2.4 percentage points between now and 2020, as against 4.1 points for the

EU as a whole, given that the overall target is to move below a threshold of 10 %.

The targets to be achieved in terms of early school leaving have been expressed differently from one country to the next : some have committed themselves to reducing the school drop-out rate to a defined level, others to keep it below a threshold figure. Lithuania and Luxembourg have chosen the latter option and they seem to have already met their targets, based on the data for 2010. As far as Luxembourg is concerned, the statistics resulting from the harmonised labour force survey are subject to marked annual variations due to the limited size of the sample.

Taking account of the national targets, the Commission has calculated that the proportion of young people leaving school early would amount to 10.3 % or 10.5 % in 2020 according to whether the lower or higher limit of the range set by Italy is used ; however this may be, the target would not be fully achieved, therefore.

The second European target with regard to education is focused on lifting the proportion of people between 30 and 34 years of age completing tertiary-level education (or equivalent) to at least 40 %. This should help to meet a greater demand for skills – developments in industry and technology are having the effect of supporting the demand for staff with high-level and medium-level qualifications, at the expense of jobs requiring low-level qualifications – and allow the potential for innovation in the European economies to be developed. Ireland is top of the European league with half of all people in this age group holding a qualification from higher education or having an equivalent level of education in 2010 ; moreover, this country is expressing a willingness to increase this share to 60 %. The Scandinavian countries, Luxembourg and Cyprus follow Ireland in the ranking. It is worth noting that while this classification refers to the results of the labour force surveys, some countries have defined their targets on the basis of national indicators. Thus, Luxembourg has set the indicator in relation to a national rate that is around 30 %, whilst the result of the labour force survey is 46.1 %. Denmark has rallied to the European target of 40 % but is expecting to achieve this level by meeting national targets that are calculated differently (half of all young people need to have high-level qualifications). In Finland, the definition of a young person with high-level qualifications currently excludes those who have not attended university ; the country therefore displays a national rate that is lower than that according to the European survey.

In 2010, with a share of young people who have successfully completed tertiary-level education greater than 44.4 %, Belgium posted a better performance than the European average. The commitment made at the national level is to increase this proportion to at least 47 %.

The national targets are not enough for the overall European commitment to be honoured in 2020 ; according to the Commission, the proportion of highly qualified people between 30 and 34 years of age would not in fact exceed 38 % even if the higher limit of the range given by some Member States is used.

In Belgium, education falls within the sphere of competence of the language Communities. In order to reduce the risk of students dropping out of school, the Flemish and French-speaking Communities have undertaken a reform of secondary education intended in particular to reassert the value of technical and vocational education, strengthen dual apprenticeship systems and improve the interconnections between education and the world of work. Apart from the initiatives intended to encourage access to higher education, lifelong learning is regarded as a priority to improve opportunities for integration and mobility on the labour market.

3.5 Target for social cohesion

The European target is expressed in terms of reducing the number of people at risk of poverty or social exclusion, as defined on the basis of three indicators : (1) the risk of relative poverty expressed by comparison with a monetary threshold [1], (2) severe material deprivation [2] and (3) living in a household with low work intensity [3]. The target involves reducing this number by 20 million between now and 2020.

Based on the data from the EU-SILC survey [4] conducted in 2009 (and relating to incomes in 2008), the proportion of people faced with at least one of these three criteria (no person being counted more than once) amounted to 23.1 % in the EU, that is to say 114 million people. In Belgium, the percentage was 20.2 %, that is to say 2.1 million people.

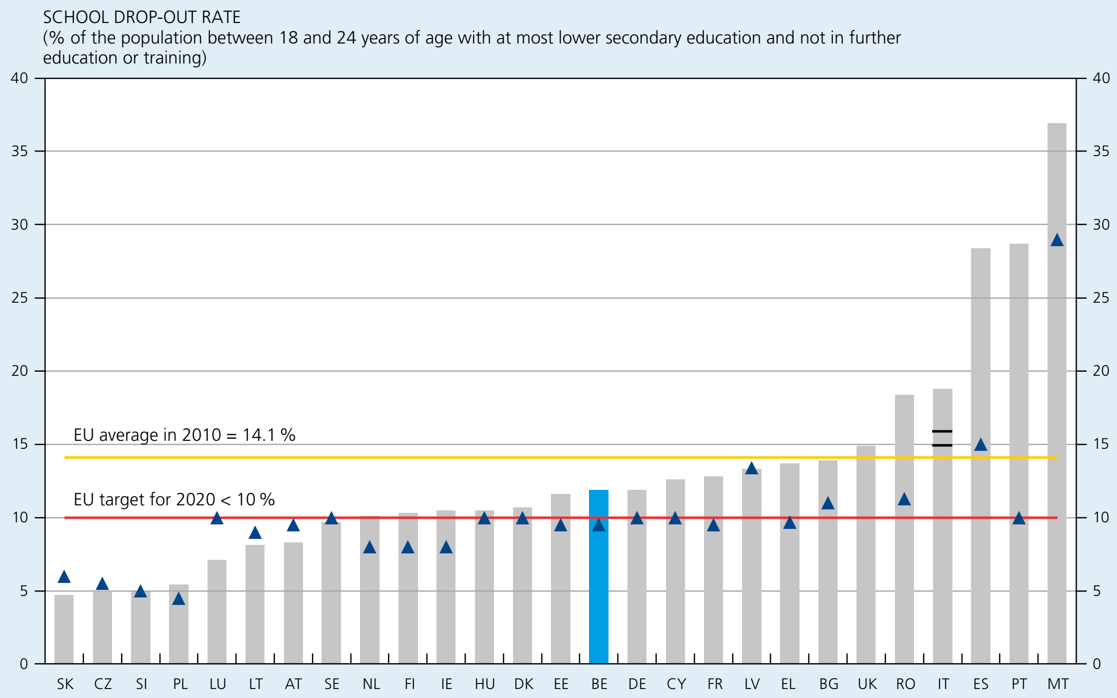
(1) People at risk of poverty are those living in a household with an equivalent disposable income lower than the poverty threshold, which is set at 60 % of the national median equivalent disposable income (after social transfers). In Belgium, the poverty threshold defined in this way corresponds to € 966 per month for a single person.

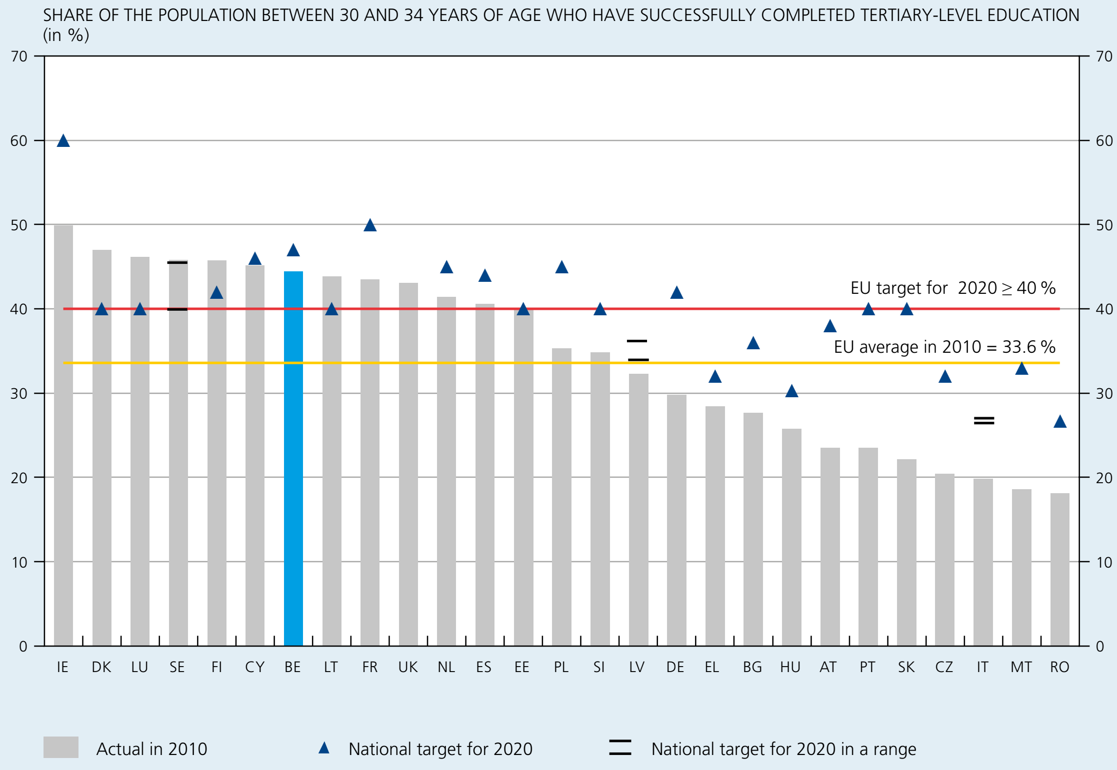
(2) People in a situation of severe material deprivation have living conditions limited by a lack of resources and are faced with the deprivation of at least four of the nine following elements : they are not in a position 1) to pay a rent or the current bills, 2) to heat their place of residence properly, 3) to cope with unforeseen expenses, 4) to consume meat, fish or an equivalent protein every second day, 5) to afford a week's holiday away from their place of residence, 6) to own a private car, 7) a washing machine, 8) a colour television or 9) a telephone.

(3) People living in a household with a low level of work intensity are people between 0 and 59 years of age living in a household in which the adults (between 18 and 59 years of age) used less than 20 % of their total employment potential during the previous year on average. Students are excluded.

(4) The EU-SILC project was launched in 2003 (but the survey was not put in place at the same time in all the Member States, even the oldest) and has the aim of obtaining data that allows the structural indicators of social cohesion to be calculated. The survey, which is harmonised at EU level, gathers data on income, poverty and social exclusion.

CHART 6 EDUCATION INDICATORS





Sources: EC, National reform programmes 2011 of the countries in the EU.

Some people accumulate all three of these risk scenarios; this applied to 2.1 % of the population in Belgium in 2009, that is to say 219 000 people. The greatest risk that the population is faced with is that of finding oneself below the poverty threshold (14.6 %). The level of work intensity needs to be sufficient so as not to tip into poverty or social exclusion: 9.6 % of the population was living in a household where employment potential is inadequately tapped. Severe material deprivation affected 5.3 % of the population in Belgium.

The majority of the countries in the EU have committed themselves to reducing the number of people at risk of poverty or social exclusion in 2020, but some have chosen another indicator (risk of poverty alone or risk linked to the low work intensity).

In the light of the commitments made by the other countries in the EU, the national target is relatively ambitious in Belgium. It is to bring the number of people threatened with finding themselves in a precarious situation from 2.2 million to 1.8 million between 2008 and 2020.

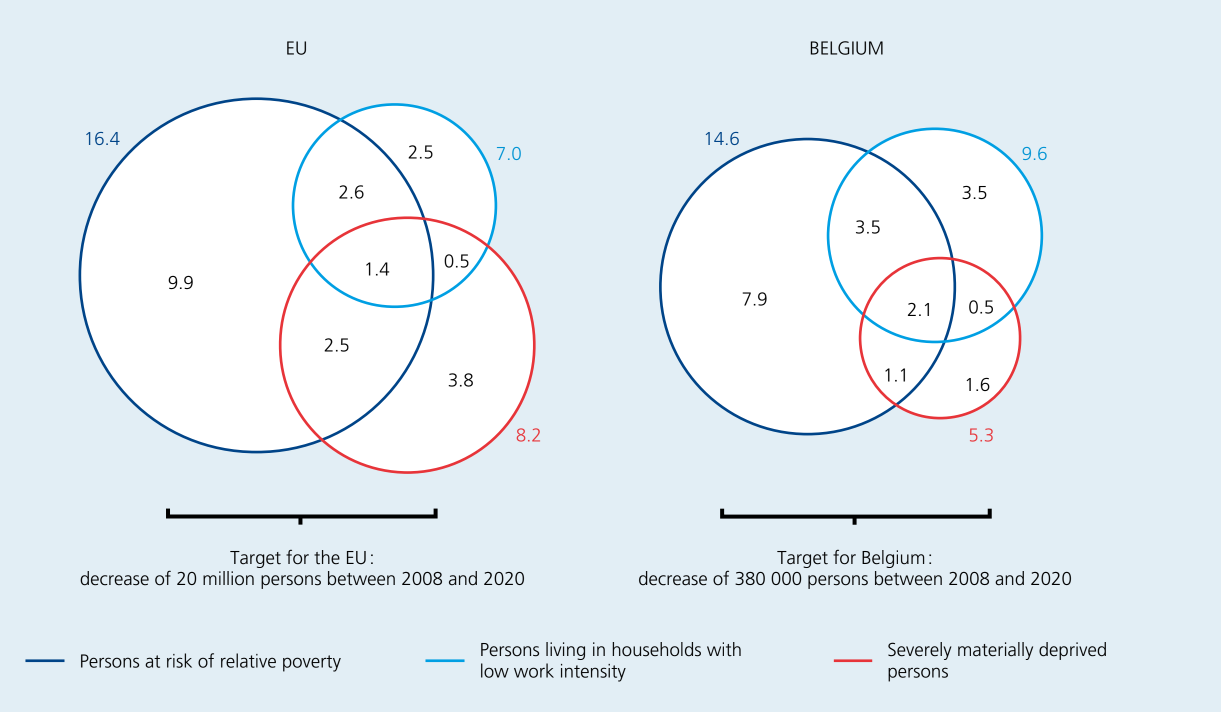
The best means of combating poverty is to have a job. This finding applies in all the countries of the EU. In Belgium, the at-risk-of-poverty rate is seven times lower for workers than for unemployed persons[1]. The structural reforms of the labour market are complemented at the federal level, in Brussels and in Flanders by plans for combating poverty that include, in particular, elements relating to housing, education, health and employment. The policy operated in Wallonia with regard to social integration is universal but special efforts are made for those people who are furthest from the labour market.

Conclusions

In 2010, the EU resolved to revitalise its economy, not only to speed up the emergence from the crisis but also to lay the foundations for "smart, sustainable and inclusive" growth. The Europe 2020 strategy establishes the framework within which the European economy is going to evolve in the decade to come. To achieve its five key targets with regard to employment, innovation, education, sustainable development and social inclusion, the EU wishes to undertake or continue concrete

(1) According to the International Labour Office (ILO) criteria.

CHART 7 SOCIAL COHESION INDICATORS
(in % of the total population, income for 2008)



Sources: EC, National reform programme of Belgium 2011.

action in seven key fields. Initiatives are expected at the European (and international) level as well as the national (and regional) level.

The success of the Europe 2020 strategy depends on its targets and principles being adopted by all the stakeholders, starting with the Member States. To ensure this cooperation, the EU has put in place a three-pronged structure for policy surveillance incorporating fiscal, macroeconomic and thematic aspects. It is in the context of the thematic surveillance that the commitments made by Member States in favour of the Europe 2020 strategy are examined and their progress measured. The national reform programmes filed each year with the European Commission effectively contain the translation of the key European targets into national targets and also the measures that the countries are intending to implement in order to achieve them.

The year 2011 marks the first implementation of this new model of governance which causes European policies and tools to converge on a single aim: smart, sustainable and inclusive growth. In the first six months – the European Semester – the impetus was provided in January by the Annual Growth Survey carried out by the European Commission. This exercise enabled the European Council to adopt in March priority actions for the year to come. In April, the Member States compiled their national reform programmes and their stability or convergence programmes. The Commission examined them in May and the Council issued specific recommendations to each country in June with the aim of strengthening the consistency of the national policies that will be implemented during the following six months, referred to as the National Semester.

The recommendations addressed to Belgium number six in total and are concerned with correcting the

TABLE 2 SOCIAL COHESION TARGETS SET BY THE COUNTRIES OF THE EU (1)

(thousands of persons, unless otherwise stated)

	2008	2009	2020	Targeted reduction in level, 2008-2020	Targeted reduction in %, 2008-2020
Population at risk of poverty					
RO	4 988	4 745	4 408	580	11.6
BG	1 632	1 657	1 372	260	15.9
LV	573	573	452	121	21.1
Population at risk of poverty or social exclusion					
CZ	1 566	1 448	1 536	30	1.9
PT	2 757	2 648	2 557	200	7.3
MT	79	82	72	7	8.3
SI	361	339	321	40	11.1
PL	11 491	10 454	9 991	1 500	13.1
ES	10 340	10 652	8 840 – 8 940	1 400 – 1 500	13.5 – 14.5
IT	15 099	14 835	12 899	2 200	14.6
GR	3 046	3 007	2 596	450	14.8
SK	1 111	1 061	941	170	15.3
AT	1 532	1 406	1 297	235	15.3
CY	174	176	147	27	15.5
HU	2 794	2 956	2 344	450	16.1
FI	910	886	760	150	16.5
BE	2 194	2 145	1 814	380	17.3
LT	928	985	758	170	18.3
Population living in a household with low work intensity					
DK	347	360	325	22	6.3

Sources: EC, National reform programmes 2011 of the countries in the EU.

(1) Those countries in the EU that have set national targets that are incompatible with the indicators arising from the EU-SILC survey are not included in the table. Luxembourg and the United Kingdom have not fixed quantitative targets for reducing poverty.

government deficit, improving the long-term viability of public finances by curbing expenditure linked to population ageing, correcting the structural weaknesses in the financial sector, taking measures in order to reform the system for negotiating and indexing wages, boosting participation in the labour market and strengthening competition in the retail sector and on the markets for electricity and gas.

The compilation of the national reform programmes shows that the mobilisation of countries in favour of the Europe 2020 strategy is proving insufficient in a certain number of fields.

Thus, even if the commitments made by the Member States were honoured, the European strategic target for employment would not be achieved. The employment rate for people between 20 and 64 years of age in the EU in 2020 should only amount to 73.7 % or 74 % according to whether the minimum value or the maximum value of the ranges given by certain Member States is taken into consideration, hence a lower result than the expected 75 % rate. The Belgian authorities have set themselves an employment rate target of 73.2 % by 2020, that is to say an improvement of 5.6 percentage points in ten years.

In the field of research and innovation, in the light of the quantitative targets at national level, the average share of GDP taken up by gross domestic expenditure on R&D in the EU would remain below 3 %, the target that Belgium has signed up to.

With regard to energy, the targets for reducing greenhouse gas emissions and raising the share of renewable energy in final energy consumption originate from the European climate and energy package, whose overall effort is shared between the 27 Member States. In this context, Belgium would need to reduce its greenhouse gas emissions by 15 % in 2020 compared to their level in 2005 and increase the share of renewable energy in final energy consumption to 13 %. The efforts to improve energy efficiency – the third element of the European "20/20/20" target – set out in the national reform programmes cannot be directly compared between the countries.

The target with regard to education is two-fold : to reduce the school drop-out rate below a threshold of 10 % and to bring the share of people between 30 and 34 years of age who have completed third level education at a minimum of 40 %. Once again, the national targets do not allow the overall European commitment to be ensured ; the European Commission has calculated that, in 2020, the share of young people leaving school early would lie between 10.3 % and 10.5 % and that the percentage of people with high-level qualifications would not exceed 38 %. Belgium has signed up to targets of 9.5 % and 47 % respectively.

Lastly, with regard to social cohesion, the European target is to take action to ensure that at least 20 million people are no longer faced with the risk of poverty or social exclusion in the EU as a whole between now and 2020. In Belgium, the goal is to reduce this figure by 380 000 people between 2008 and 2020.

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