

Brussels, 29th December 2009

Dear Sirs,

European Family Businesses - GEEF is the pan-European umbrella organisation for national associations representing long-term family owned enterprises, including small and medium-sized as well as large companies. The organisation was created in 1997 under the name of GEEF (European Group of Owner Managed and Family Enterprises). In 2009 the name was changed to take the organisation to the next level of European public exposure.

Family Businesses provide the majority of jobs in the private sector in Europe. As pointed out in the recent EU Report on Family Business relevant Issues *), some of the needs of family owned and operated businesses are distinctly different from those of other categories of enterprises.

European Family Businesses-GEEF's objective is to promote a full understanding of the key role of family-owned enterprises in Europe's economy, to press for policies at both European and Member State levels which will support their growth and renewal over the long term and to ensure recognition of their contribution to entrepreneurial culture, sustainability and social stability.

European Family Businesses-GEEF, now a federation of 12 national family businesses associations, represents in Europe more than 9300 companies, over 1 trillion Euro in aggregated turnover (9% of the European Union's GDP) and more than 5 million jobs.

European Family Businesses-GEEF welcomes the initiative of the Commission to create a document that will help both EU and the Member States to meet the new challenges of the next decade, and specially the idea of a partnership for growth and job creation, where Family Businesses have a lot to say.

*) Overview of Family-Business Relevant Issues: Research, Networks, Policy Measures and Existing Studies (DG Enterprise, November 2009)

Our contribution for the EU2020 document are sent attached in the form of proposed changes to the document (please see Attachment EFB-GEEF Response to EU2020).

However, we would like to summarise the main ideas expressed in that document:

1. All types of businesses should be considered, from traditional manufacturing to new hi-tech start ups, from small to large businesses, from family businesses to corporates, from cooperatives to state owned.
2. Emphasis should be put not only on the creation of new sources of growth but also on supporting the renewal of existing ones.
3. We can not forget the importance of the Next Generation, the future of Europe. We should build Europe with and for the Next Generation.
4. Finally, attention should be paid equally to levels of indebtedness and levels of financial self-sufficiency. Therefore, policies that support the retention of earnings and the inflow of new equity are essential.

With our kindest regards

Philip Aminoff

President

Jesús Casado

Secretary General



COMMISSION OF THE EUROPEAN COMMUNITIES

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COMMISSION WORKING DOCUMENT
CONSULTATION ON THE FUTURE "EU 2020" STRATEGY

COMMISSION WORKING DOCUMENT

CONSULTATION ON THE FUTURE "EU 2020" STRATEGY

(Text with EEA relevance)

This is a time of deep transformation for Europe

The worst economic and financial crisis in decades has hit Europe hard with a sharp economic contraction. The unemployment rate is set to rise to double digit figures in 2010, a level not seen for a decade.

Collective action to save the financial system and to boost demand and confidence through public intervention has helped to prevent an economic meltdown. However, the crisis has weakened our resilience. The EU now needs to make a stronger effort to work together to make a successful exit from the crisis and to shape the next generation of public policies in a very different set of circumstances.

The exit from the crisis should be the point of entry into a new sustainable social market economy, a smarter, greener economy, where our prosperity will come from renewal and innovation and from using resources better, and where the key input will be knowledge. These new drivers should help us tap into new sources of sustainable growth and create new jobs to offset the higher level of unemployment our societies are likely to face in the coming years. However, we will only succeed if we design and implement a bold policy response. Otherwise the risk is a period of low growth which can only make it harder for Europe to tackle the major challenges we face today.

Delivering this sustainable growth requires agreement to an agenda that puts people and responsibility first. The efforts of a decade which resulted in a reduction of unemployment from 12% to 7% in the EU risk being undone by the crisis. We need to build on existing and new sources of growth to replace the jobs lost in the crisis.

This new approach needs to take advantage of a world of globalization and interdependence which the crisis has underlined still further. The EU needs to work both at home and in international fora like the G20 to seize the new opportunities essential to reach our 2020 objectives.

EU 2020 is being designed as the successor to the current Lisbon Strategy, which has been the EU's reform strategy for the last decade and has helped the EU to weather the storm of the recent crisis. EU 2020 builds on its achievements as a partnership for growth and job creation, and renewing it to meet new challenges. It also draws on the benefits that have flowed from the coordinated response to the crisis in the European Economic Recovery Plan. The Commission considers that EU 2020 should focus on key policy areas where collaboration between EU and Member States can deliver the best results, and on improved delivery through better use of the instruments at hand.

The purpose of this consultation paper is to seek the views of the other Institutions and stakeholders on a new approach. The Commission intends to adopt a formal Communication addressed to the Spring European Council early in 2010. The successful delivery of the 2020

vision relies on a partnership for progress, combining Member States' commitment to take action at national level, and the harnessing of Community instruments to make the most of the potential at EU level. In its Communication, the Commission will therefore set out both the action it considers needs to be taken at national level, and the detailed proposals for action that it will propose at Community level.

Recognising constraints and facing new challenges

A successful EU 2020 strategy must be built on a good analysis of the constraints facing policy makers in the coming years, and on the correct identification of the challenges to be tackled.

The financial and economic crisis has taken a heavy toll on public finances, businesses, employment and households. At all levels, public policy makers will have to find ways of triggering economic dynamism with limited budgetary margin for manoeuvre. As public sector deficits are brought back under control, public expenditure needs to be reshaped in ways that enable us to reach the 2020 vision with a modern public sector. Cutting spending in forward-looking areas such as education and research would make this more difficult to achieve.

In developing a new vision and direction for EU policy, we need to recognise that conserving energy, natural resources and raw materials, using them more efficiently and increasing productivity will be the key drivers of the future competitiveness of our industry and our economies.

We also need to recognise the challenge presented by European demography: even prior to the crisis, the change in our demography, with a lower proportion of young people in the overall population, was expected to result in a substantially reduced potential growth by 2020. The crisis has exacerbated the long-term social challenges Europe faces today, such as the integration of an increasing immigrant population, social exclusion and child poverty, and solidarity between generations in the context of an ageing society. In order to meet these challenges, employment rates of both men and women will have to rise rapidly and social protection systems will have to be modernised so that they provide an affordable response to the future needs of our society. We also need to strengthen the willingness and capacity of the young to take over economic and social responsibility from the post-war generation that rebuilt Europe from the ruins of war.

This implies that new policies must demonstrably contribute to social cohesion, tackling unemployment and fostering social inclusion while securing well performing labour markets. This requires rethinking education systems and labour markets, enhancing mobility and boosting Europe's dynamism to unleash our innovative and creative potential.

The challenge of becoming a smarter, greener economy will require increased policy coordination to make the economy more competitive. Our social, economic and environmental objectives must go hand in hand if we are to deliver on our thematic priorities for 2020. In this paper, the Commission is seeking views on how the EU can set its priorities in a ten year horizon that will allow the EU and national levels to work together to move beyond the current crisis and to strengthen existing sources of growth and mobilise new ones, ensuring social and territorial cohesion, in line with the basic principles of the new Lisbon Treaty.

Key priorities for EU 2020

To achieve a sustainable social market economy, a smarter and greener economy, Europe needs to promote key, agreed priorities and to work on delivering them over several years. No single Member State can successfully address these challenges alone. Nor is EU policy simply the addition of 27 national policies. By acting together on a common vision, we can make the whole more than the sum of its parts. This is an agenda for all Member States, large and small, old and new, highly developed and still developing: the enlarged EU consists of different levels of development and therefore different needs. But the EU 2020 vision is relevant to all of them and can be adapted to different starting points and different national specificities so as to promote growth for all.

Huge opportunities exist for people and for businesses if they are equipped to take them. The Commission's aim is for Europe to lead, compete and prosper as a knowledge-based, connected, greener and more inclusive economy, growing fast and sustainably, creating high levels of employment and social progress. To achieve this, Europe needs a strengthened and competitive industrial base, a modern service sector and a thriving agriculture, rural economy, and maritime sector. As 'first mover' in building this society of the future, Europe can derive important benefits by developing competitive, innovative products, processes and business models, rolling out the infrastructures of the future, entering new markets and creating new, high-quality jobs.

But the benefits go much wider. A Europe that is open to the world will continue to be a model for others to follow, projecting its values and fostering stronger labour, environmental, and safety standards around the globe. In this way, the EU can show global leadership in demonstrating that – with the right policy framework in place and making full use of the new actors and structures offered by the Lisbon Treaty – it is possible to combine the openness needed to ensure ongoing economic dynamism with respect for the social and environmental concerns of our citizens, building Europe for and with the next generation.

The Commission considers that the key drivers of EU 2020 should be thematic, focused on the following priorities:

- 1) ***Creating value by basing growth on knowledge.*** Opportunity and social cohesion will be enhanced in a world where innovation makes the difference in both products and processes, harnessing the potential of education, research and of the digital economy;
- 2) ***Empowering people in inclusive societies.*** The acquisition of new skills, fostering creativity and innovation, the development of entrepreneurship and smooth transition between jobs will be crucial in a world which will offer more jobs in exchange for greater adaptability;
- 3) ***Creating a competitive, connected and greener economy.*** The EU should compete more effectively and increase its productivity by a lower and more efficient consumption of non-renewable energy and resources in a world of high energy and resources prices, and greater competition for energy and resources. This will stimulate growth and help meet our environmental goals. It will benefit all sectors of the economy, and all types of businesses from traditional manufacturing to new hi-tech start ups, from small to large businesses, from family businesses to corporates, from cooperatives to state owned. Upgrading and inter-connecting infrastructure, reducing

administrative burden and accelerating the market uptake of innovations will equally contribute to this goal.

These priorities will guide EU policy making inside the EU and externally. The promotion of international co-operation and multilateral governance, including efficient, fair and rules based international trade and finance systems, will be an integral part of EU 2020. The Commission is seeking views on the following priorities which it considers to be the key drivers of EU 2020.

1. Creating value by basing growth on knowledge

Knowledge is the engine for sustainable growth. In a fast-changing world, what makes the difference is **education and research, innovation and creativity**.

Strengthening **education** is one of the most effective ways of fighting inequality and poverty. The high number of low achievers in basic skills (reading, mathematics and science) needs to be addressed urgently to enhance the employability of young people and to bring them into the world of work after school ready to carry responsibility for others. Preventing early school leaving reduces future exclusion from the labour market and the threat of future social exclusion. A greater emphasis on vulnerable groups, gender equality and social cohesion is needed to ensure that no one is excluded from knowledge.

Europe has some of the best universities in the world. But our ambition should be to have many more high quality institutions and turn them into a true engine for knowledge and growth. This will not only require investment but also reforms and where necessary consolidation, closer co-operation, including with business, and a more open attitude to change. To assist in this process of change, European universities should be benchmarked against the best universities in the world. Raising the quality of Europe's universities and of their research should go hand in hand with greater mobility of students to acquire new knowledge and languages, gaining experience living and studying abroad and building networks. A new phase in the existing programmes Erasmus, Leonardo and Erasmus Mundus should be considered, complemented by national initiatives, giving all young people in Europe the possibility to spend part of their educational pathway in other Member States.

An efficient, effective and well-resourced European **Research** Area is an indispensable part of the EU 2020 vision. The EU needs to increase its research efforts by pooling resources, jointly developing major research infrastructures across the EU and raising research quality to worldleading standards. It also needs to maximise and accelerate the practical benefits of research for all kinds of European Businesses. - including through major public-private partnerships. The attractiveness and performance of Europe as a research location also depends on creating an internal market and attractive career prospects for researchers. The way forward is a research partnership between the EU and Member States which maximises synergy with other policy areas especially innovation and education. The EU needs to provide more attractive framework conditions for **innovation and creativity**, including through incentives for the growth of knowledge-based firms. Access to credit is a particular problem, not only in the aftermath of the crisis but because some new sources of growth such as the creative industries need new types of financing adapted to their business models. Innovative firms should be able to have access to growth capital, among which venture capital and family funds; this needs to be coupled with administrative simplification and technical support to promote the incubation and growth of innovative firms.

A well-functioning system of intellectual property rights, which allows for efficient and cost-effective protection, enables innovative business start-ups, provides authors with a transparent management of their rights, and helps universities and research institutions to raise capital through the commercialisation of their ideas and inventions is needed to develop the creativity, knowledge and research capacity in Europe.

Building on its strengths in technology and knowledge, Europe should tap fully the potential of **the digital economy**. The digital economy offers great opportunities for all kinds of European Businesses, both in the production and services sectors, in their own right and as suppliers to larger companies. New innovative start-ups generate new, often high value jobs right across the EU. They can play an important role in regional development. That is why an ambitious European Digital Agenda that takes concrete steps towards the completion of an Online Single Market will be a key element in Europe's sustainable economic recovery and social development. The productivity gains involved will stimulate innovation and creativity; make government services easier and more efficient to deliver, and increase the opportunities for participation and democratic expression. Internet access is becoming necessary for citizens to play a full part in daily life.

Europe needs effective policies on digital inclusion and skills, and to encourage active participation and expression over the net.

The aim for 2020 is to achieve a genuine European Knowledge Area, underpinned by a world-class knowledge infrastructure, in which all actors (students, teachers, researchers, education and research institutions and enterprises) benefit from the free circulation of people, knowledge and technology (the 5th freedom).

2. *Empowering people in inclusive societies*

In the post-crisis economy, many of the jobs that have been destroyed will not be replaced. The transformation of the EU into a smarter, greener, more competitive economy will boost new job creation and respond to high levels of unemployment. But while this transition takes place, major efforts will be essential to prevent people falling out of the system, being excluded, and to ensure social cohesion. In fact, new patterns are emerging where there are several entries in and exits from the labour market during a working life, instead of the traditional sequence (education, work, and retirement), offering more opportunities to people. This requires a framework to organise these transitions and support them, possibly building on some of the measures adopted during the crisis (e.g. short time work combined with training). Moreover, a new generation of responsible owners has to be prepared.

New jobs requiring new skills will be created. Transition between jobs between training and jobs will have to be managed. This is where **flexicurity** should be deployed to the full. The challenge is to find the best way to enhance on the one hand, the flexibility of labour markets both on work organisation and on labour relations, and on the other hand, the security provided by lifelong learning and appropriate social protection. Life long learning needs to be much more accessible and universities should be more open to non-typical learners.

Skills are the key element for Europe's economic and productivity growth and for job creation. Life long learning is the key element to ensure good transition between jobs and occupations, and in avoiding long-term unemployment leading to loss of human capital. The digital economy also offers new opportunities for distance learning as part of a lifelong approach to learning and for forms of communication that are changing the world of work,

shrinking distances and making long distance work a real possibility in an increasing number of jobs.

Ensuring that our workers have the skills to contribute to the knowledge-based economy is a necessary, but not sufficient condition. Supply and demand need to be matched better. Labour mobility must be promoted to ensure that people can take up new opportunities by moving to where their skills are most needed. This could be made easier through the introduction of transportable personal pension accounts. We should look ahead and match future skills better to future needs, particularly for new types of jobs such as "green" jobs and other growth areas, such as in the health sector. Finally, despite its substantial contribution to growth, the potential of migration is not fully factored into policy making at EU or national level.

Employment rates of immigrants can be improved, particularly for specific categories such as immigrants with low levels of education, women and those recently arrived.

Having a job is probably the best safeguard against **poverty and exclusion**. But alone it does not secure a reduction in poverty levels or social inclusion. Modern social security and pension systems, adapted to the crisis and to the ageing of the European population, will be needed to provide an adequate level of income support and coverage to those temporarily out of work. Tackling inefficient labour market segmentation is also one way of enhancing social justice.

In order to create more jobs, a more entrepreneurial culture needs to take hold in Europe, with a more positive attitude towards risk-taking and a capacity to innovate. **Self-employment** should become a real option for those who may have recently lost their job. But this will require removing disincentives, such as the unequal treatment of the self-employed under most social security systems and disincentives to move to other Member States because of lack of portability of social and pension rights.

The aim for 2020 is more jobs, higher employment rates of the working age population, better jobs, with higher quality and increased productivity, and fairness, security and opportunities, through a real chance for everyone to enter in the labour market, renew existing companies, create new companies, and manage labour market transitions through modern and financially sustainable social and welfare systems.

3. Creating a competitive, connected and greener economy

Europe needs to remain competitive in the future world of relatively high energy prices, carbon constraints and significantly greater resource competition. More efficient use of resources, including energy, and the application of new, greener technologies will stimulate growth, create new jobs and services and help the EU both to maintain a strong manufacturing base and a vibrant services sector and to meet its environmental and climate goals. Securing well functioning product, services and labour markets are a pre-condition for success. Greening the economy is not only about the creation of new industries. It is just as important to accelerate the modernisation of Europe's existing industrial sectors, many of which will already be restructuring in the wake of the crisis. Achieving these objectives will be essential if the EU is to compete in a world where all countries will be looking for solutions to these challenges.

This means using the material inputs in the economy more efficiently, becoming more **productive** by reducing pressure on resources. In most markets this can be done through

encouraging the dissemination of existing and emerging best environmental practices where there are clear market failures. This means shifting our economy, through targeted regulation (e.g. promoting energy-efficient products and systems), through emission trading, tax reform, through grants, subsidies and loans, through public investment and procurement policies, and through targeting our research and innovation budgets to this end.

Upgrading and inter-connecting infrastructures and ensuring effective competition of network industries in the single market is key, to improve competitiveness and at the same time deliver tangible benefits for consumers. It is crucial that Europe invests in sustainable high-speed networks. Europe needs 100% broadband coverage as soon as possible, and needs to achieve the roll-out of high speed internet through a massive programme of investment fibre networks and wireless broadband.

Together with the roll-out of high speed internet, the development of smart, upgraded **transport and energy** infrastructures contributes to multiple objectives including decarbonisation, transport safety, energy security, and the competitiveness of our network economy.

A rethink of transport policy will be needed in order to achieve such a comprehensive shift. Better integration of transport networks, developing alternatives to road transport, promoting clean technologies, and upgrading infrastructure will be essential elements. Big European projects such as Galileo, GMES, and smart road, rail (ERTMS), and air traffic management (SESAR) will play a key role in the integration of transport networks.

By 2030 the EU will have to replace half of its existing electricity plants. If we take the right strategic investment decisions now, two third of our electricity generation could be both low carbon and more secure by the early 2020s. In this context, the development of a European electricity super-grid will enable a considerable increase in the share of renewable electricity and decentralised generation. Improving energy efficiency will also be vital as it is the cheapest way to reduce emissions and, at the same time, to increase the energy independence of Europe.

Because of its important contribution to growth and jobs creation, and to the development of innovation, a fresh approach to **industrial policy** is necessary to support industry by putting the emphasis on sustainability, renewal, innovation and the human skills needed to keep the EU industry competitive in world markets. Stable and foreseeable framework conditions should help industry tackle the competitive challenges of the future. In the aftermath of the crisis, firms in several sectors will need to tackle structural excess capacities and the EU will need to facilitate restructuring in a socially acceptable way whilst maintaining a level playing field. This calls for an integrated industrial policy that promotes competitive market mechanisms that support the renewal of existing sources of sustainable growth and the emergence of new sources, with an emphasis on innovation capacity, eco-innovation, new enabling technologies and skills. This transformation will also provide an opportunity to improve and simplify the regulatory environment, increase territorial cohesion and promote better conditions for entrepreneurship, foster the development of SMEs and Family Businesses and support their growth potential and internationalisation.

In a period of industrial restructuring, state aid policy will play a key role in supporting the transition to a smarter, greener economy. The state aid rules have been overhauled in recent years. European companies have increased productivity and reaped economies of scale by taking up the opportunities offered by the Single Market – now that adjustment is needed in

some sectors the Commission will be attentive to ensuring that the Single Market continues to be the basis of EU growth and to combating the risk of national retrenchment.

The aim for 2020 is to meet our agreed objectives on climate change and energy, strengthen our industrial base, fully unlock the potential of SMEs and Family Businesses and respond to the needs of the future, by raising productivity and reducing pressure on resources.

Making it happen: starting with a successful exit from the crisis

The first task for the EU is obviously to make a successful exit from the crisis, promoting overall exit strategies designed to secure balanced and sustainable growth and sound fiscal policies. In this context, attention should be paid equally to levels of indebtedness and levels of financial self-sufficiency. To this end, policies that have hitherto secured the flow of credits to companies should be complemented with policies that support the retention of earnings and the inflow of new equity.

The recession and financial strains have had a bigger impact on those countries which were already suffering from major imbalances or policy weaknesses at the onset of the crisis. This diverse situation calls for a differentiated response, raising co-ordination issues. The spill-over effects of the different responses across countries and policy areas call for effective coordination in the EU. In particular, a level playing field needs to be preserved in the financial and business sectors, and macroeconomic spill-over effects should be considered in the EU coordinated exit strategy.

Financial resources have come under pressure as a result of the crisis. The remaining problems in the financial system therefore need to be solved swiftly in order to support the recovery. Access to credit and efficient financial market supervision will be crucial for the recovery and the transition to the value economy will depend on the availability of capital to finance innovation. New priorities need to be reflected in budgetary policies.

The key challenge is how to balance the continued need for fiscal support to demand in the short run with the need to restore sustainable public finances and macroeconomic stability. There is a risk that the recovery will be slow, and will not generate sufficient employment growth to bring down high unemployment levels.

Making it happen: Harnessing existing instruments in a new approach

To make a successful exit from the crisis and deliver our EU 2020 objectives, the Commission considers that we need a strategy for convergence and integration which recognises more explicitly the advanced interdependence of the EU:

- Interdependence between Member States in the form of (positive or negative) spill-over effects of national actions, particularly in the Euro-zone;
- Interdependence between different levels of government (EU, Member States, regions, social partners - multi-layer governance);
- Interdependence between different policies, between policies and instruments and the importance of policy integration to deliver the overall objectives;

- Interdependence at global level – none of our Member States is large enough to keep pace with the emerging economies or to undertake this transformation alone.

The challenge of becoming a sustainable social market economy, i.e. an inclusive, smarter, greener economy, will require increased policy co-ordination, better synergies through effective subsidiarity, and strengthened partnership between the EU and Member States in the design and delivery of public policies. The integration of different policy instruments is necessary, linking institutional reforms, better regulation, new initiatives and public investment.

➤ Fully exploiting the single market

The framework of the **single market** gives us the size and the scale necessary to achieve these objectives. It is the central tool which ensures that citizens reap real benefits from increased competition and that companies operate on a level playing field – provided that the rules of the single market are correctly implemented, including in sectoral policies. But the EU is still not tapping all the benefits of its single market, conceived more than twenty years ago: obstacles to cross-border activity remain, which in turn reduce consumer choice, price competition and potential productivity. To gear the single market to serve the EU 2020 goals, the EU needs well functioning markets where competition and consumer access stimulate growth and innovation. Empowering people also means making markets work for people. Citizens must be empowered to play a full part in the single market. This requires strengthening their ability and confidence to buy goods and services cross-border, in particular on-line.

The single market has evolved considerably since its original launch. It was conceived before the arrival of Internet, before ICT became the one of the main drivers of growth and before services became such a dominant part of the European economy. The emergence of new services (e.g. on-line services, such as e-health) shows huge potential. The Commission considers that to achieve the EU 2020 priorities, there is a pressing need to overcome the fragmentation that currently blocks the flow of on-line content and access for consumers and companies, and that the single market should be updated to respond to the demands of tomorrow's economy.

➤ Setting EU 2020 in a global context

This new agenda is set in the context of globalisation which will remain one of the main drivers for European dynamism in the next decade. The EU is not alone in recognising the opportunities of a smart and green economy for enhanced competitiveness and prosperity; other countries have identified similar priorities and are investing massively in green technologies, ICT and smart grids. To stay ahead, the EU needs to be quick in seizing opportunities and in anticipating and adapting to future trends. The crisis has underlined the extent of interdependence in the European and global economies. To reach our objectives for 2020, we must act decisively in the G20 and international forums to promote the principles underlying the sustainable social market economy in the global context.

International trade is one of the motors of growth, employment and investment in the EU. We should act both under the WTO and via bilateral cooperation to ensure that barriers to international flows of trade and investment are reduced, and to promote open and rules-based global trade. We should also deepen our economic and political relations with key strategic

partners, placing particular emphasis on market access, access to energy and raw materials, and progress on environmental and social objectives.

➤ Supporting growth through full use of the Stability and Growth Pact

The Stability and Growth Pact, in conjunction with other multilateral surveillance instruments, will play an important role in guiding budgetary policies to achieve fiscal consolidation and at the same time delivering the budgetary means to achieve sustainable growth and jobs. While consolidating public finances, Member States will need to redirect public expenditure towards the thematic objectives of EU 2020 so that the necessary investments in Europe's future can be made. At a time of important fiscal constraints, it is all the more important to invest scarce resources in sustainable growth. Investments and structural reforms designed to deliver a smarter, connected and greener economy will generate more revenues and will ease the consolidation of public finances.

At the same time, achieving a major transformation cannot be done without investment in people and productive capacity. To develop the potential of the economy, structural reforms should be fully implemented to create new sources of growth. A reinforced **structural reform agenda** based on measures that raise potential growth and enhance productivity will also benefit from coordination at EU level, in design and implementation, not least to fully exploit the functioning of the single market.

Even in a time of necessary fiscal consolidation, the Stability and Growth Pact allows room for investing in the future. This includes prioritising investments in R&D and new technologies, in innovation, in fostering opportunity based entrepreneurship, in high-quality education and skills development, and in 'smart' networks; this means combining investments with modernising existing structures, including enhancing the efficiency of public administration and by regulatory reform.

➤ Reflecting political priorities in our public budgets

Once agreed, these new priorities need to be reflected in budgetary policies. The Commission intends to take them up in the budget review it will publish next year and in its proposals for the next multi-annual financial framework. Similarly, Member States should also review their public expenditures to improve quality and efficiency and, despite important fiscal constraints, find room to invest in sustainable growth. At the same time, new financing models (such as PPPs, leveraging EU or EIB funding) also need to be explored to pool resources between the public and the private sectors and maximise impacts.

➤ Establishing clear governance to make the new strategy effective.

The strategy will be pursued through a partnership approach to deliver a limited set of key objectives. Only through partnership can its specific actions and objectives be achieved since action is essential at the EU, national and regional levels, and the interplay between these levels which will allow the strategy to deliver its full potential. On the Council side, the focal point of the future strategy should be the European Council since it is the body which ensures the integration of policies, and manages the interdependence between Member States and the EU. Drawing on the new provisions of the Lisbon Treaty, it should therefore steer the strategy, making the key decisions and setting the objectives. Council formations like the ECOFIN Council as well as the relevant thematic Councils would then implement these

decisions in an integrated way, each acting within its area of competence to deliver on the longer term goals of the EU 2020 vision.

The Commission would like to see the European Parliament play a significantly greater role in the new governance structure. Beyond its traditional role on the employment and integrated guidelines, Parliament could be encouraged to express views on the EU 2020 strategy before the Spring European Council.

The EU 2020 vision will need the active support of stakeholders such as the social partners and civil society. Its take up across all the regions of the EU will also be crucial to its success and the Commission would like to see national parliaments taking a particular interest in this new strategy as it is developed.

The Spring European Council in 2010 should set the strategy on its course for the next 5 years on the basis of a Commission proposal to be tabled in early 2010. The European Council should fix a small number of headline objectives, and define the corresponding policy actions to be pursued at EU and Member State level in partnership. The European Council's conclusions, with the corresponding orientations for EU and Member States policies, would thus become anchor for the integrated guidelines provided for under the Treaty.

For each of these objectives, Member States would be invited to set national objectives for 5 years corresponding to their different situations and their starting points. The Commission and the European Council will monitor progress every year in Member States and at EU level.

Comments

The Commission invites comments and suggestions on the ideas outlined in this paper. They should be sent to EU2020@ec.europa.eu by 15 January 2010.

The contributions received will be published on the internet, unless the author objects to publication of the personal data on the grounds that such publication would harm his or her legitimate interests. In this case the contribution may be published in an anonymous form. Professional organisations responding to this consultation are encouraged, if they have not already done so, to register in the Commission's Register for Interest Representatives (<http://ec.europa.eu/transparency/regrin/>). This Register was set up in the framework of the European Transparency Initiative with a view to provide the Commission and the public at large with information about the objectives, funding and structures of interest representatives.