Contribution to the annual growth survey 2012

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The Council discussed the Commission's annual growth survey, focusing on ways at the current juncture to promote growth and employment in the short and medium term without compromising the fiscal consolidation necessary for restoring sustainability and confidence. Draft conclusions will be prepared in the light of the Council's discussion, for adoption at its meeting on 21 February 2012.

The Commission's annual growth survey outlines **priority actions** to be taken by Member States in order to ensure better-coordinated and more effective policies for putting Europe's economy on a path to sustainable growth.

1. Pursuing differentiated growth-friendly fiscal consolidation:

- Member States benefitting from financial assistance programmes and those under close market scrutiny should continue to meet agreed budgetary targets in spite of possibly changing macro-economic conditions;
- Member States with a significant adjustment gap under excessive deficit procedure, or a high deficit should step up their consolidation efforts. Possible limited downwards revisions of the main macro-economic scenario should not result in delays in the correction of excessive deficits;
- in Member States which do not have an excessive deficit, and that are on an appropriate adjustment path towards their medium-term objectives, budgetary policy can play its counter-cyclical and stabilising role, as long as medium-term fiscal sustainability is not put at risk.

On the **expenditure** side, Member States should keep public expenditure growth below the rate of medium-term trend GDP growth.

2) Restoring normal lending to the economy: the bank excesses leading up to the crisis have resulted in a widespread fragility in the sector and now risk acting as a brake on economic recovery. Restoring investor confidence will require a strengthening of banks capital positions and measures to support banks access to funding, and will help to sever the link between the sovereign crisis and the financial sector. The objective is also to address the weakness in the current regulatory and supervisory framework and enable more normal lending patterns to business and to private households, without the excessive risk taking of the pre-crisis period.

3) Promoting growth and competitiveness: placing particular emphasis on the digital economy, the internal market for services, as well as a better use of the EU budget (in particular the potential of the Structural Funds) in favour of growth and competitiveness.

4) Tackling unemployment and the social consequences of the crisis, in particular by i) promoting labour mobility, ii) facilitating the recognition of professional qualifications, iii) strengthening cooperation between public employment services, iv) restricting access to early retirement schemes while supporting longer working lives, v) improving access to lifelong learning, and vi) protecting the vulnerable.

5) Modernising public administration: the Commission is of the opinion that the Member States should give priority to the following actions: i) improving their business environments by minimising administrative burdens, reducing unnecessary regulations and permits and introducing simpler and quicker procedures in particular in their judicial systems; ii) ensuring that exchanges between administrations and enterprises, as well as citizens, can be done digitally; iii) facilitating the creation of new businesses by implementing the commitment in the Small Business Act to reduce the time for starting up of a company

to 3 days, and iv) building administrative capacity, in particular the necessary expertise to ensure speedier disbursement of unused funds on growth-enhancing projects.

The European Semester was implemented for the first time in 2011 as part of a reform of EU economic governance. The 2012 European Semester will be the second such exercise, but the first since a new procedure on excessive economic imbalances was introduced as part of the governance reform.

At its meeting on 1 and 2 March, the European Council will assess implementation of country-specific recommendations made under the 2011 European Semester and will provide guidance for 2012.