



### **EPC status report on the preparation of National Reform Programmes – Report to the Ecofin Council –**

As a first step in the transition to the European semester, the EPC on 14 December discussed the macroeconomic and macro-structural elements of draft National Reform Programmes (NRPs) on the basis of a Commission note. The aim of the exercise was to take stock of these initial drafts and provide feedback to ensure that the full NRPs reflect the content, coverage and ambition called for by the Council. In line with the integrated approach to macroeconomic surveillance under the European semester, the full NRP will be finalised following country-specific consultation with stakeholders, and submitted simultaneously with the Stability and Convergence Programmes by the end of April 2011 at the latest. With a view to provide further assistance to Member States in the finalisation of their full NRPs, the outcome of the exercise has been summarised in a technical note.

On the basis of the discussion the Committee concluded that the draft NRPs provide a good starting point. Member States had overall confirmed the key macro-structural "bottlenecks" to sustained and balanced growth endorsed by the Ecofin Council on 8 June. This suggests that there is a broad shared understanding of existing obstacles to sustained and balanced growth. The identification by some Member States of additional bottlenecks was particularly welcome in terms of strengthening national ownership of the NRPs as far as they do not dilute the focus on the key challenges already identified. Measures to reach the thematic headline targets were also generally outlined and clear links were made between measures and individual objectives pursued.

In addition, a few key issues were identified that will need to be addressed in the full programmes to be submitted in April:

- For a large majority of countries the macroeconomic scenarios underlying the draft programmes appear optimistic when comparing with the Commission services' scenarios, some substantially so. This reflects assumptions of a faster closing of the output gap; higher potential growth in the programmes; or both. This may have an impact on the required ambition of reforms in the programmes. The full NRPs should include the same macroeconomic scenarios presented in the SCPs for the period 2011-2014.
- Few draft NRPs contained concrete and detailed measures aimed at addressing macroeconomic and macro-structural bottlenecks and challenges. The actions presented tended to refer more to general channels through which the challenges could be addressed, rather than the identification of specific measures. While some vagueness may be attributed to these programmes being initial drafts, more concrete and detailed measures should be included in the full NRPs.
- Explicit commitments to the acceleration of structural reforms to boost growth in the medium term were largely absent. In current economic circumstances it is important to complement fiscal consolidation efforts with well designed growth enhancing structural reforms. The need for reforms to tackle macro-structural bottlenecks to growth and help boost employment and productivity has become even more urgent

in recent months, in particular for countries with high debt, large fiscal consolidation needs and fragile growth prospects. As evidenced from recent financial market developments, a singular focus on fiscal consolidation is not sufficient. In line with the new integrated surveillance framework, SCPs and NRPs will together need to present a comprehensive response to both fiscal and macro-structural challenges. Finally, NRPs of countries that currently benefit from EU and/or IMF programmes should be fully consistent with the requirements under these schemes.