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Recommendation for a

COUNCIL RECOMMENDATION

On the establishment of National Competitiveness Boards within the Euro Area

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THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 292, in conjunction with Articles 121(2) and 136 thereof,

Having regard to the recommendation of the European Commission,

Whereas:

- (1) While there is a need to improve the coordination and the surveillance of competitiveness developments within the Union, the recent crisis made visible that Member States whose currency is the euro ('euro area Member States') can be particularly subject to the possible build-up and sudden unwinding of macroeconomic imbalances that may spill-over into other euro area Member States. In the absence of flexible nominal exchange rates, they also need adequate adjustment mechanisms to country-specific shocks. Competitiveness dynamics are of relevance both for the accumulation and correction of macroeconomic imbalances (e.g., trade and current account deficits, stocks of domestic and external liabilities) and an effective adjustment to asymmetric shocks. Competitiveness deterioration may also be responsible for reduced potential growth, which makes high debt less easy to be paid back. Coordination of policies having a bearing on competitiveness dynamics would help to ensure that competitiveness developments are compatible with the objective of a smooth functioning of the economic and monetary union (EMU). While this Recommendation is addressed to the euro area Member States, the other Member States are also encouraged to set up similar bodies.
- (2) The European Semester, in particular the macroeconomic imbalance procedure as established in Regulation (EU) No 1176/2011 and Regulation (EU) No 1174/2011, provides a framework for integrated economic policy coordination and surveillance. In view of the need to foster progress with structural reforms in the competitiveness domain, these existing mechanisms need to be backed by stronger national ownership of reform agendas. To this purpose, raising independent policy expertise at national level and reinforcing the policy dialogue between the Union and the euro area Member States appear warranted.
- (3) The setting up of national competitiveness boards in charge of tracking performance and policies in the field of competitiveness should contribute to the enhancement of ownership of the necessary policies and reforms at national levels and to improving the knowledge basis for Union economic policy coordination in the field of competitiveness. These boards should assess competitiveness developments and

policies, but also provide policy advice for reform implementation, taking into account national specificities and established practices.

- (4) The scope of intervention of competitiveness boards should span a comprehensive notion of competitiveness. Wage dynamics as well as non-wage factors and productivity drivers and dynamic considerations related to investment, innovation and the attractiveness of the economy to businesses should fall under the remit of these boards.
- (5) Competitiveness boards should be entrusted with the capacity to ensure high-quality economic analysis as the basis for their advisory role.
- (6) Competitiveness boards should be independent from the ministries or public authorities that deal with competitiveness-related issues. The competitiveness boards should also be unbiased, in the sense that they should not convey only or mainly views of specific groups of stakeholders. Such independence and unbiasedness requirements are aimed at ensuring that the advisory role of competitiveness boards adequately reflects expert judgement formulated in the general interest.
- (7) The characteristics of the competitiveness boards should be in compliance with Article 152 of the Treaty and should take into account the national practice and institutions for wage formation. In accordance with Article 28 of the Charter of Fundamental Rights of the European Union, their functioning should not affect the right of workers and employers, or their respective organisations, to negotiate and conclude collective agreements at the appropriate levels or to take collective action in accordance with Union law and national laws and practices.
- (8) The Commission should coordinate the activities of the competitiveness boards with a view to fostering the achievement of euro-area-wide objectives and taking into account inputs from the system of competitiveness boards in Union economic policy coordination.
- (9) Competitiveness boards should compile and publish their analysis and advice in an annual report. In order to ensure that euro-area and Union objectives are taken into account in the work of the boards consultations between the Commission and the boards should take place for the production of these reports and during fact-finding missions to Member States. The reports will inform the Commission analysis undertaken in the context of the European Semester and the Macroeconomic Imbalances Procedure.
- (10) In order to ease coordination at supra-national level, there should be one identifiable competitiveness board in each Member State. However, to carry out their activities properly, competitiveness boards could in turn rely on different separate existing bodies, provided that they meet the common principles exposed above.
- (11) Monitoring and enforcement of the Country-Specific Recommendations (CSRs) should remain at Union level, within the European Semester and the application of the Macroeconomic Imbalance Procedure as established in Regulation (EU) No 1176/2011.

HAS ADOPTED THIS RECOMMENDATION:

I. Objectives and scope

1. The objective of this Recommendation is the setting up of national competitiveness boards to monitor performance and policies in the field of competitiveness, thereby contributing to foster sustained economic convergence, and to increase ownership of the necessary reforms at the national level.
2. This Recommendation is addressed to the euro area Member States. The other Member States are also encouraged to set up similar bodies.

II. Establishing competitiveness boards

3. Each Member State should have in place a competitiveness board tasked with:
 - (a) Monitoring competitiveness developments in the Member State concerned, taking into account factors that can affect prices and quality content of goods and services relative to global competitors in the short term (including labour costs) as well as longer-term drivers such as productivity and innovation capacity, which are relevant not only for the relative performance of the economy but also for its growth potential and the capacity to attract investment, businesses and human capital;
 - (b) Informing the wage setting processes at national level by providing relevant information;
 - (c) Monitoring policies linked to competitiveness in the Member State concerned, including contributing to ex-post evaluation of policies; and
 - (d) Assessing policy challenges and formulating policy advice in the field of competitiveness. The advice of competitiveness boards should take into account the broader euro-area and Union dimension. The boards should, inter-alia, provide advice on the implementation of the Country-Specific Recommendations addressed to the concerned Member State by the Council in the context of the European Semester;
4. Each Member State should identify one competitiveness board, which could in turn rely on different existing bodies.
5. Competitiveness boards should carry out their activities on a continuous basis. They should publish their analysis, and advice in an annual report. They should be engaged in contacts with the Commission and competitiveness boards of other Member States with the aim of coordinating views.

III. Characteristics of the competitiveness boards

6. Competitiveness boards should be structurally independent or endowed with functional autonomy vis-à-vis any public authority dealing with competitiveness-related issues of the Member State (in particular ministries, administrations, public institutes, public agencies). They should be underpinned by national legal provisions ensuring a high degree of functional autonomy and accountability, including:
 - (a) a statutory regime grounded in national laws, regulations or binding administrative provisions;
 - (b) not taking instructions from any public authorities dealing with competitiveness-related issues or from any other public or private body;
 - (c) the capacity to communicate publicly in a timely manner;
 - (d) procedures for nominating members on the basis of their experience and competence ;
 - (e) adequate resources and appropriate access to information to carry out their mandate.
7. Competitiveness boards should consult relevant stakeholders (e.g. national actors or groups of actors, including social partners, who participate in the economic and social dialogue of the Member States on a regular basis) but should not convey only or mainly the opinions and the interests of a particular group of stakeholders.
8. Competitiveness boards should have the ability to carry out economic and statistical analyses with a high degree of quality, including as recognised by the academic community.

IV. Articulation with the European Semester

9. The Commission should facilitate coordination between national competitiveness boards and exchange views with them, in particular to ensure the consideration of euro-area and EU objectives in the work of the boards. Contacts should be envisaged ahead of the production of their annual reports and during fact-finding missions to Member States.
10. The independent expertise provided by those boards, including through the annual reports, will be used to inform the Member States and Commission analysis in the European Semester and the macroeconomic imbalance procedure.

V. Accountability and transparency

11. As a rule, the analyses produced by those boards should be made public.

VI. Final provisions

12. The Member States are invited to implement the principles set out in this Recommendation by [date of adoption of this recommendation + 6 months].

13. By [date of adoption of this recommendation + 12 months], the Commission is invited to prepare a progress report, on the basis of relevant information from Member States, on the implementation and the suitability of this Recommendation, including whether the adoption of binding provisions appears necessary.

Done at Brussels,

For the Council
The President