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Growth, competitiveness and structural reforms  
**Macroeconomic imbalances and adjustment**

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**National Competitiveness Boards:**

**Tasks and interaction at the national and euro-area level**

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Note for the attention of EPC

## 1. BACKGROUND AND PURPOSE

**In the January 2016 EPC, the discussion on NCBs focussed on the economic rationale for raising productivity, boosting competitiveness, and supporting the implementation of reforms.** Divergences in productivity and competitiveness trends appear as major challenges, resulting in harmful imbalances for the EU and the euro area Member States. The paper concluded that there is considerable scope for strengthening institutional capability in evaluating competitiveness on an ongoing basis. Overall, there was a general agreement by Member States that the emphasis should be on productivity with a broad view of competitiveness.

**The February 2016 EPC looked closer into institutional aspects of NCBs.** In particular, the note tabled by the Commission highlighted the flexibility for NCB institutional design enshrined in its Recommendation, and recalled the key characteristics foreseen for NCBs. The paper highlighted optimal design features for such institutions, including independent and unbiased governance, transparent processes, solid research capacity and strong linkages to stakeholders involved in policy-making. Members agreed to launch a "mapping exercise" of existing institutions that currently carry out tasks foreseen in the Recommendation (a questionnaire has been sent to MS with a late April response deadline). With the flexibility in institutional design proposed, the results of the ongoing mapping exercise should help Member States identifying existing institutions that could act as NCBs in order to minimise start-up costs, bureaucracy, and the time needed for NCBs to start adding value to the public policy process.

**This third note focuses on the tasks foreseen for the network of NCBs both at the national and EA/EU level.** Building on the Recommendation, the note emphasizes the role which NCBs could play at the national level bringing various stakeholders' views to the policymakers, as well as discusses the potential for NCBs form a European system in order to benefit from different approaches and to build capability by drawing on the experience of others.

## 2. TASKS AND INTERACTIONS AT THE NATIONAL LEVEL

**The Recommendation lists a set of tasks for NCBs.** Recital 3 of the Recommendations states that NCBs should "assess competitiveness developments and policies but also provide policy advice for reform implementation, taking into account national specificities and established practices." More specifically, Article 3 details four main tasks that the NCB would carry out:

- **Monitoring competitiveness developments:** NCBs would analyse cost and non-cost competitiveness developments on a medium-term horizon so as to improve the knowledge basis of national competitiveness, as well as economic policy coordination.
- **Informing the wage setting process:** The NCBs would not interfere with wage negotiations, which are conducted by social partners according to national practices,

but would provide relevant and credible analysis on productivity, and relative cost and non-cost competitiveness developments that could be used as contextual information in setting wages. The information provided by the NCB could notably contribute to raising awareness and reducing risks of harmful divergences within the EMU.

- **Monitoring policies linked to competitiveness:** the NCB would monitor policies undertaken to foster competitiveness, improve productivity, and foster long term growth, contributing to the continuity of public action. In addition, through ex-post evaluation of the impact of economic measures, they would increase future policy effectiveness and help identify national best practices.
- **Assessing policy challenges and formulating policy advice:** In order to effectively shape competitiveness policies, NCBs should be able to provide expert advice on policy challenges, identifying trade-offs and providing cost-benefit analysis of the various policy options. NCBs would support steps taken by policymakers to respond to CSRs. They could indeed identify options to operationalise the CSRs, taking into account national specificities. Formulating and monitoring implementation of CSRs should however remain at the EU level, in the context of the European Semester.

**An appropriate degree of flexibility could be given to the tasks effectively carried out by the NCBs.** The four tasks recommended are all relevant to the objectives pursued by the NCBs. Hence, it is expected that each and every NCB aims at being active on all fronts. However, there may be cases where some NCB will not perform some of the tasks recommended. As long as this does not hamper the NCB's ability to contribute to the national and European debate on competitiveness and productivity, the Recommendation provides the flexibility to focus on some tasks as determined by national needs and capacities.

**NCBs are expected to work and communicate publicly in a timely manner and provide an annual report.** An important component of an NCB's mission is its ability to publicly communicate in a timely manner so as to inform public policy. In addition, as Article 5 of the Recommendation mentions, NCBs "should publish their analysis and advice in an annual report". The annual report provides the occasion to communicate a comprehensive review of the activities of the NCB.

**Some harmonisation on the format and topics addressed in the reports could be envisaged, as well as an alignment of delivery dates.** While individual NCBs will have full responsibility over the content of the report, in order to elicit exchanges between NCBs at the European level, create the conditions for a rich debate, and effectively inform the European economic surveillance cycle, minimum elements of harmonisation could be considered. In this respect, to permit an effective role of the NCBs activity in the EU semester framework, it could be considered to foresee the delivery of the annual reports after the adoption of the CSRs, and before the start of the subsequent European Semester cycle (ie between July and November on the current European Semester calendar).

### 3. THE EU DIMENSION OF THE NCB NETWORK

**The Recommendation requires NCBs to take into account the euro area and EU dimension of competitiveness developments.** Article 3 of the Recommendation states that "the advice of competitiveness boards should take into account the broader euro-area and Union dimension." NCBs could compare national developments in relation to main trading partners and the EA/EU with a view to identifying risks from potentially harmful divergences, establish best practices, and promote regulatory convergence where relevant.

**The Commission would take into account the analysis of the individual NCBs as part of the European Semester and inform NCBs of policy priorities identified at the EU level.** Article 9 states that the Commission would "exchange views" with the NCBs as part of "fact-finding missions to Member States" to discuss issues of common concern. In this context, as mentioned in Article 10, the analysis of the NCBs would "inform the Member States and the Commission analysis undertaken in the European Semester and the Macroeconomic Imbalance Procedure". Reciprocally, the Commission would engage in a dialogue with NCBs, informing them about priorities identified at the EU level, "in particular to ensure the consideration of euro-area and EU objectives in the work of the boards." Over time, the objective would be to create a virtuous feedback cycle between NCBs and the Commission that should help improving the quality of EU macroeconomic surveillance.

**The network of NCBs will seek to address the EU dimension of competitiveness and productivity challenges.** The Recommendation foresees that NCBs should engage in contact "with the competitiveness boards of other Member States with the aim of coordinating their views." As mentioned in Article 9, "the Commission should facilitate coordination between national competitiveness boards." The organisation and the modalities of interaction of the network will evolve over time, on the basis of past performance, experience accumulated, and the feedbacks by individual NCBs. The Commission recommendation foresees the production of a progress report by the Commission within a year after the adoption of the Council Recommendation. Such report could also be an occasion to identify ways to improve the organisation of the network.

**A gathering of NCBs at least on an annual basis** seems desirable to facilitate exchange of views of euro-area and EU relevance. Such a meeting could take place after the delivery of the annual reports and before the start of the European Semester cycle. Discussions could take place thematically, on agreed issues of common interest.

**Informal exchanges between the various NCBs will also be encouraged by the Commission.** Besides the annual regular meeting of the network of NCBs, interactions among NCBs would also take place. Such exchanges would aim to be a platform of cooperation identifying common challenges, reform priorities, and best practices. They would be encouraged and promoted by the Commission.

## **ISSUES FOR DISCUSSION**

- 1. Do members agree with the tasks expected to be carried out by NCBs?*
- 2. Do Members agree with the proposed modalities of interaction between the Commission and the network of NCBs?*
- 3. Are other forms of interactions suitable for the effective functioning of the networks of NCBs or to enrich the economic surveillance at the euro area and EU level?*