



**COUNCIL OF
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NOTE

from: The Presidency
to: COREPER/Council

Subject: European Semester 2012 - Lessons learned

The European semester integrates the surveillance of three main strands of economic surveillance in to one process: public finances under the SGP, structural policies on the basis of the Integrated Guidelines (BEPGs and employment guidelines) and macroeconomic imbalances under the new Macroeconomic Imbalances Procedure¹. Its ultimate purpose is to influence the drafting of annual budgets of Member States and encourage the implementation of structural reforms.

¹ The legal basis for the European semester derives from the 6 pack legislation adopted on 2011. Regulation 1175/11 modified the regulation 1466/97 (strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies) by adding definition of the European semester.

The second European semester cycle was successfully completed with the adoption by the Council (ECOFIN) of the Country-specific recommendations (CSR) on 10 July 2012 (doc. 11296/4/12 REV 4). The integrated approach to surveillance² has translated into more concrete, focused and coherent policy advice. The enhanced EU economic governance framework has also implied that the process carries more weight than in the past. At the same time, however, the process has become more cumbersome and the time constraints applying to the review process provide very little time for in-depth discussions on substance.

The 2012 recommendations were drawn up in line with the strengthened framework for economic governance under the "6-pack". They now need to be implemented by Member States, through their national decisions.

Following a preliminary exchange of views in the ECOFIN Council on 10 July, the GAC Council on 24 September and the EPSCO Council of 4 October 2012 discussed the lessons learned from the European semester.

Building on the contribution of the Economic and Finance Committee (14300/12), delegations will find below a summary of the challenges that need to be addressed, as a basis for the discussion related to the lessons learned from the European semester 2012 at the Council (ECOFIN) meeting of 9 October 2012.

²The outcome of surveillance is presented in the format of one integrated set of Commission recommendations for country-specific recommendations to be adopted by the Council. The SGP and the corrective arm of the MIP – not yet applied – may lead to recommendation outside this set of recommendations, but both procedures remain consistent with the European semester process.

Challenges

1. Bringing together the surveillance of various procedures (SGP, Europe 2020, and MIP), covering rather complex policy areas, at one single point in time during the year, is challenging for all parties involved (the Commission, Member States and the committees).
2. While the enhanced EU economic governance framework (the "six pack"), including the new "comply or explain rule"³, has led to a more stringent process than in the past by providing a stronger role for the Commission, the implementation of the rule needs to be further discussed.
3. The "comply or explain rule" has also contributed to more peer pressure in committee discussions by increasing the collective responsibility of the Council for changing and adopting recommendations in disagreement with the Commission. However, for peer pressure to be effective and fulfil its purpose, it is fundamental to promote convergence of views on the underlying assessments of challenges, analytical frameworks and on the appropriate policy responses.
4. The integrated nature of the European Semester has added to the complexity of the process given the involvement of different stakeholders. The indication of the instrument to which the recommendations are linked (i.e. opinion under the SGP and the preventive arm of the MIP) has helped the attribution of recommendations between the various committees involved and has contributed to focus the discussions. However, there is still room for further improvement, including by providing a clearer division of labour between Committees and the prioritisation of policy advice.
5. Further attention also has to be paid to the level of prescriptiveness of recommendations, ensuring that they remain concrete enough to give clear guidance and facilitate follow-up but at the same time allowing Member States to decide on the means of implementation, thus strengthening national ownership. In this respect, prioritization and differentiation of the CSR, taking into account the concrete circumstance prevailing in the member states is key.

³ Article 2ab)(2) of Regulation 1466/97 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies, which makes part of the section on "Economic dialogue", states that "*The Council is respected to, as a rule, follow the recommendations and proposals of the Commission or explain its position publicly*".

Key questions

In the Presidency reports to GAC (13439/12) and EPSCO (13684/12) as well as the EFC discussion note (14300/12) and a letter from Commission Secretary-General to Coreper Ambassadors (Ares(2012)1063684 - 13/09/2012), the following key issues have emerged:

- 1) What are the key issues related to European semester which needs to be addressed in the Presidency synthesis report?
- 2) Do Ministers agree that prioritization and differentiation of the CSRs taking into account concrete circumstances prevailing in the Member is a key factor to ensure successful conclusion of the European semester cycle?
- 3) Do Ministers agree that while CSR should be concrete, they should leave appropriate room for Member States to choose relevant policy means to ensure ownership and a strengthened focus on their implementation?

Next step

The Presidency will prepare a Presidency Synthesis Report, which brings together discussions held on GAC, EPSCO and ECOFIN.
