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NOTE

From: Presidency
To: Delegations

Subject: Conference on 'The coordination of economic policies at EU level, a renewed role for the European Semester' (Bucharest, 4 April 2019) - Information from the Presidency

Delegations will find in the Annex a note from the Presidency on the above subject, with a view to the meeting of the **General Affairs Council** on 21 May 2019 (Any Other Business item).

**Conference on ‘The coordination of economic policies at EU level,
a renewed role for the European Semester’**

Bucharest, 4 April 2019

1. Introduction

In the framework of the Romanian Presidency of the EU Council, on 4 April 2019 the Ministry of Foreign Affairs of Romania, with the support of the European Institute of Romania, organised a conference in Bucharest entitled 'The coordination of economic policies at EU level, a renewed role for the European Semester'.

The conference looked at current issues related to the functioning of the European Semester (ES), such as *strengthening the link with the Multiannual Financial Framework (MFF)*, *strengthening its social dimension* and *the future of the ES*. It was a good opportunity to take stock of the evolution of the ES and to exchange views on some key elements for the future institutional and budgetary cycle of the European Union (EU).

As the ES is approaching its tenth anniversary, a closer look at its progress and concrete achievements allowed stakeholders to draw valuable lessons that could be useful in the coming years in order to make the ES a more effective instrument for the Member States (MS) and the Union as a whole.

2. No formal conclusions were envisaged or adopted during the Conference. The main points raised in the speakers’ interventions are listed below:

- The success of the ES depends on three elements: (i) *quality analysis* (made by the European Commission) for an appropriate assessment of the economic challenges and possible responses at EU level; (ii) *communication* between the main stakeholders involved in the process; and (iii) *commitment* (ownership) from the MS.
- The ES is working: around 70 % of the country-specific recommendations (CSRs) have recorded at least some progress. In 2011, 23 of the MS were in excessive deficit procedure; no MS is currently in this situation.
- The ES has made important progress in strengthening the governance and economic coordination of the MS. Fiscal discipline and structural reforms are key to improving the macroeconomic outlook.

- The ES must become better known to European citizens.
- A new European strategic development framework is needed; some of its elements could be sketched out at the European Council Summit in Sibiu on May 9, 2019, part of the EU Strategic Agenda for the next institutional cycle.
- As a result of *strengthening the link with EU funds and cohesion policy*, the ES will have an increased role not only in the coordination of MS' economic policies but also in preventing macroeconomic imbalances and in reducing the disparities between the MS and the regions of the Union. Achieving convergence and cohesion must therefore remain an objective of the Union as a whole.
- It is time for a higher degree of ownership, and a new impetus needs to be given to the ES. The Conference proposed that a *Code of Conduct for the involvement of local and regional authorities in the ES* be developed in order to increase the efficiency of the process.
- The discussions on strengthening the link between the next MFF and the ES are taking place in a context in which *maintaining a good level of investment is very important*, given the slowdown in economic growth at EU level. In particular, *investment in innovation* can enhance EU competitiveness and should play an important role in the ES process.
- Strengthening the link with the next MFF will also give the ES an *important role in reducing the development gaps between the EU MS and regions*. The increased focus on investment, as provided for in the new MFF, will also contribute to the implementation of the CSRs.
- The EU institutions attach increased importance to investments at EU level. The InvestEU programme has been designed for this purpose, but efforts at EU level need to be doubled by national efforts.
- In order to implement structural reforms, it is necessary to have adequate funding, as well as dialogue with the private sector and the social partners. There is a need for a *stronger focus on Single Market issues within the ES*.

- The business environment perception is that the *CSRs are correctly identifying MS' reform priorities*, but not many of the recommendations are actually being implemented. In this context, the link between ES and EU funds can improve the implementation of the CSRs.
- The proclamation of the *European Pillar of Social Rights* was considered one of the main achievements of the current Commission, but MS remain responsible for transposing it and adjusting its 20 principles to their national specificities. *Education*, through skills training, is essential to increase productivity and competitiveness and to implement the Pillar's principles.
- Further efforts need to be made in terms of increasing social inclusion and improving the living and working conditions of European citizens. Civil society and the social partners should be more involved in the design and implementation of the CSRs including through the creation of a common framework for consultation.
- Strengthening social dialogue is a precondition for fostering social cohesion and increasing economic and social convergence.
- Ownership at the level of the MS governments, together with social dialogue, is *key to implementing the Pillar*. The recent *tendency of the ES to have an increasingly social dimension* is expected to continue.
- In the context of the MFF negotiations, the Pillar Principles could become guidelines together with the United Nations' sustainable development goals.
- It is the right time to *continue to reform the ES*. Sustainable development is an essential area. The ES should address current issues, such as *climate change and the growing scarcity of natural resources*. The ES mechanism should serve the sustainable development goals. *A 2030 strategy needs to focus on the main economic and fiscal policy issues*, even if the development of this strategy is a difficult process.
- It is the right time to reflect on the future of the ES, but *the political decision remains within the competence of the new incoming European Commission*.

- The ES needs a boost. It is time for an increase in structural reform ownership, with an emphasis on the importance of the *regional dimension*.
 - Integrating new elements should *avoid overloading the ES process*. The CSRs could cover two or more years. The number of documents published in the ES context could be reduced. The National Reform Programmes should be shorter, and should focus on reporting. Increasing the ownership of the reforms could be achieved inter alia by strengthening the role of the national coordinator, and the consultation processes should be improved.
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