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NOTE

From: Presidency

To: Permanent Representatives Committee (Part II)/ Council (ECOFIN)

Subject: European Semester 2013 - Lessons learned

Delegations will find attached a Presidency note on the above subject with a view to the policy debate at the ECOFIN Council on 15 October 2013.

The European semester

The third European semester cycle was successfully completed with the adoption by the Council (ECOFIN) of the Country Specific Recommendations on 9 July 2013 (doc. 11505/1/13 REV 1).

These recommendations combine economic and employment policy recommendations, based on Articles 121(2) and 148(4) of the Treaty on the Functioning of the European Union (TFEU), including Council opinions on the Stability and Convergence Programmes, a recommendation on the implementation of the broad guidelines for the economic policies of the Member States whose currency is the euro (based on Articles 136 and 121(2) TFEU) and, in certain cases, with recommendations on the preventive part of the macroeconomic imbalances procedure.

Building on the contribution of the Economic and Finance Committee (14465/13), delegations will find below a summary of the challenges to be addressed in relation to the European semester process, which will serve as a basis for the related discussion on the lessons learned from this year's semester exercise at the Council (ECOFIN) meeting of 15 October 2013.

Overall assessment

Building on the lessons learned from previous exercises, the 2013 European semester exercise was considerably smoother due to efforts made by all parties, including by the Presidency involved.

The Commission recommendations were well focused and in most areas provided an appropriate balance between defining concrete and clear objectives and providing room for specific policy responses to be formulated at national level. There was more differentiation between Member States with different challenges with a stepping up of language used in cases the Commission was concerned about a lack of reform implementation or depending on the economic situation of the Member States.

Notably, more differentiation was provided in recommendations under the Macroeconomic Imbalances Procedure (MIP), with concrete timelines in recommendations to countries with excessive imbalances. The publication of the in-depth reviews, related to MIP, in April provided an opportunity to discuss the underlying analysis prior to the presentation of Commission recommendations in May. However, the overall timeframe of the semester exercise remained challenging.

Summarised EFC observations

The 2012 European semester

- The implementation of the comply or explain rule needs to be discussed further.
- It is fundamental to promote convergence of views on the underlying assessments of challenges, analytical frameworks and on the appropriate policy responses.
- There is still room for further improvement, including by providing a clearer division of labour between Committees and the prioritisation of policy advice.
- Further attention also has to be paid to the level of prescriptiveness of recommendations. In this respect, prioritization and differentiation of the CSR, taking into account the concrete circumstance prevailing in the member states is important.

The 2013 European semester

- More attention should be given to monitoring of implementation of policy recommendations, with a view to strengthening enforcement.
- The review of recommendation in the area of pension reform is complicated as different Committees and formations are involved in the review.
- The identification of MIP recommendations would benefit from more clarity. In this context, MIP relevant CSRs should include only elements which are in fact MIP-related.
- A broader discussion amongst Ministers on the key policy issues in support of and to better reflect the multilateral nature of the surveillance exercise could be considered.
- Tight timeframe applying to the European Semester continues to be a constraint.

Observations and suggestions for upcoming European semester cycles

The European semester process has been characterised by tight time-schedules – the Committees (EPC, EFCA, EFC, EMCO, SPC) have very limited time after the Commission's publication of the Country Specific Recommendations to discuss and coordinate before EPSCO and ECOFIN meetings take place in June. The process has been tightened to its limits, therefore it is important that both the Member States and the Commission make their utmost effort to prepare their respective contributions as soon as possible. The calendar of the relevant Council formations could be looked into as well with a view to providing more time for preparations of the discussions at Council and the European Council.

Effective national implementation and EU level monitoring are key areas for future semester cycles. When putting forward a new set of CSR's, the Commission publishes annually staff working papers on country-by-country basis, including information on the implementation of earlier Country Specific Recommendations. However, no mid-year synopsis information is available concerning implementation of the CSR's in all Member States. The publication of the Annual Growth Survey (AGS) in November, which marks the beginning of the new European semester cycle, could be the relevant document to include such mid-year review of CSR implementation. The discussion of CSR implementation via AGS analysis could then be carried out in different Council formations, taking into account the Member States' specificities and non-binding character of recommendations. In this context, specific attention could be given to CSR's that can facilitate growth and to MIP related recommendations.

Full national ownership and high quality recommendations are key for effective implementation. The Commission has gone a long way of providing the Member States opportunities to discuss both the implementation of existing CSR's and the features of the upcoming CSRs via the bilateral meetings with Member States – there are three such official bilateral meetings with Member States during the semester cycle. Broader participation of national political level representatives at such bilateral meetings would go a long way of raising the CSR awareness at national political levels thus facilitating their visibility and understanding in relation to national Government priorities. It would also minimize the perception that the Member States do not have the opportunity to clarify issues related to CSR's with the Commission ex-ante.

Questions to Ministers

- 1) **How, in Ministers' view, could the national ownership of the implementation of CSR's be strengthened further?**
- 2) **Would Ministers consider it useful for the Council to receive a synopsis overview of the implementation of the Country Specific Recommendations mid through the European semester cycle with special focus to growth friendly and MIP related CSRs?**
- 3) **What other issues related to the European semester need to be addressed in the Presidency synthesis report to GAC?**

Next steps

The Presidency will prepare a Presidency Synthesis Report for the GAC on 22 October 2013, which will bring together discussions held at EPSCO and ECOFIN.
