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NOTE

From: General Secretariat of the Council

To: Permanent Representatives Committee/Council

Subject: European Semester
- Lessons from 2013 and way forward

Delegations will find attached a synthesis report prepared by the Presidency on the discussions within the Council in relation to lessons learned from the 2013 European Semester and way forward for 2014 and upcoming European Semester cycles.

The 2013 European semester was concluded on 9 July 2013 with the adoption by the Council of the Country-specific recommendations (CSRs). It built on enhanced economic policy coordination and the implementation of many of the lessons learned from the 2012 European semester (see doc. 15674/12). Several improvements were made compared to the previous two years and the 2013 European semester was in general considered successful. However, some shortcomings still remain and should be addressed. The Presidency has conducted a lessons learned exercise on the 2013 European semester. Its results, and related recommendations, are synthesised in this report for endorsement by the Council.

The report is based on discussions within the European Council on 27-28 June 2013 and the Council on 20 June (EPSCO), 26 September (COMPET) and 15 October 2013 (EPSCO and ECOFIN). It also draws on the contributions prepared for these meetings by the relevant committees, in particular EFC, EPC, EMCO and SPC and the letter of 15 October 2013 from the Commission Secretary-General to Permanent Representatives.

The European Parliament intends to set out its views on the implementation of the 2013 European semester in its resolution to be adopted end-October 2013.

Assessment of the 2013 European semester: greater impact and smoother process

Compared to its predecessors, the 2013 European semester was based on deeper and more continuous dialogue between the Commission and Member States, greater multilateral engagement at committee level and a better balance between macroeconomic, microeconomic and employment/social aspects. This promoted a shared understanding of the challenges and required actions. All these are expected to contribute to better implementation of the CSRs and progress towards desired economic and social outcomes.

In terms of process, the situation improved compared to 2012 in particular as regards the timing of the MIP Alert Mechanism Report and In-depth reviews and was also somewhat mitigated by upstream work, in particular by the committees involved. However, timing constraints continued to strongly affect the last phase of the European semester. Early planning and coordination by the Presidency together with the Commission and the committee chairs allowed a more thorough and balanced examination of the CSRs within the Council, and better horizontal oversight.

The Presidency, the Commission and individual Member States also engaged more actively in dialogue with the European Parliament, national Parliaments and other stakeholders. This provided substantial contributions at different stages of the semester.

Recommendations for 2014

Overall, the recommendations of the 2012 lessons learned exercise have proved their value and should continue to be implemented. Building on these, further recommendations are made below in areas with remaining difficulties.

Implementation

The 2014 European semester will be the first semester to coincide with the Commission assessment of CSR implementation as part of the new two-pack process concerning euro area Member States' Draft Budgetary Plans (DBP) and Economic Partnership Programmes by Member States with new steps in their Excessive Deficit Procedures. Subject to the entry into force of the next Multiannual Financial Framework, it will be the first one during which the macroeconomic conditionality of structural funds should be applied. Reflecting ongoing efforts to deepen the Economic and Monetary Union, the 2014 European semester may also see some changes as regards in particular the role of the European Council in identifying main policy areas for reform and the monitoring of employment and social developments within the Union.

Full national ownership and high quality recommendations are key for effective national implementation of CSRs. It is recommended that:

- ⇒ the Member States step up CSR implementation to take forward the ambitious reform agenda and support the emerging recovery.
- ⇒ the Commission continues to enhance its dialogue with Member States when preparing CSR proposals, sharing the underlying analysis and making further efforts towards evidence-based recommendations.
- ⇒ the Commission assists Member States in assessing the macroeconomic impact of conducted and upcoming reforms.
- ⇒ the Commission ensure that its CSR proposals are sufficiently precise as regards policy-outcomes but not overly prescriptive as regards policy measures so as to leave sufficient space for social dialogue and, more generally, for national ownership; more detailed recommendations could refer to examples of the best practice. Their formulation should also recognise efforts already undertaken by the Member State and reflect the time-horizon for CSR implementation.
- ⇒ Member States step up the involvement of political level representatives including national parliaments, social partners and other stakeholders in the European semester at the national level and broaden, as appropriate, participation of national political level representatives in the bilateral dialogue with the Commission. One of the three bilateral meetings could be political in terms of representation and may be conducted in the capitals. Efforts should also continue at European level for deeper stakeholder engagement.

The implementation of CSRs, and related national policies, is being monitored by several actors: Member States themselves, the respective committees and Council preparatory bodies within the multilateral surveillance and the Commission notably through bilateral meetings and, as of 2013, through the examination of euro area Member States' Draft Budgetary Plans. Commission Staff Working Documents present the state of play of implementation in each country in late May. However, no overview on the state of implementation is available when the Council discusses the Annual Growth Survey, hampering its ability to formulate appropriate guidance. It is recommended that:

- ⇒ the Commission examine the possibility of providing, in time for Council debates on the AGS, a synopsis overview of the state of CSR implementation across Member States.

Scope and focus

The 2013 European semester covered an even wider range of policy areas than those of previous years, moving beyond traditional macroeconomic and employment concerns. The involvement of the Council was also broader, both as regards Council formations and their preparatory bodies, resulting in a relatively heavy process. This implied a greater overlap with sectoral processes for policy formulation and monitoring such as the completion of the Internal Energy Market or the Education and Training 2020. It also shifted the focus of some Council debates away from the core of the European semester.

While acknowledging the inter-linkages between policy fields it is nevertheless important to centre the European semester around areas most directly relevant to growth and jobs and ensure its adds value to other Council work. It is recommended that:

- ⇒ the Commission, in its Annual Growth Survey and in its proposals for CSRs, focuses on issues with the greatest direct impact on growth and jobs at EU and national level.
- ⇒ the Presidency seeks to ensure that Council debates on the AGS are focused on the EU's economic policy priorities for the forthcoming year proposed by the Commission, enabling the European Council to validate or adjust, as appropriate, these priorities.
- ⇒ the Presidency, while planning the Council's work on the European semester, assesses the need for the involvement of sectoral Council formations, and the most appropriate form for their contribution, keeping in mind other policy processes.

While the articulation between the two Council formations most directly involved in the European semester, EPSCO and ECOFIN, was generally considered to have improved, concerns remain, in particular as regards the CSRs issued under the Macroeconomic Imbalances Procedure (MIP). These CSRs were discussed in both Council formations and their preparatory bodies, but their final approval took place at ECOFIN, raising questions, in particular at EPSCO, about adequate attention paid to employment and social expertise and competences. In the meanwhile, the Commission, in its Communication on the Social Dimension of the EMU (doc. 14102/13), which will feed into the December 2013 European Council, suggests that the social dimension should be better incorporated in the MIP. Depending on the outcome of discussions on the EMU social dimension, it is recommended that:

- ⇒ the Commission, when formulating its proposals for CSRs, pay particular attention to the scope of CSRs issued under MIP so that they only include MIP-related elements; the MIP related recommendations should also be more clearly identified in the context of all CSRs
- ⇒ the Presidency, when planning the handling of the MIP by the Council and in particular the approval of related CSRs, adequately reflects the competences of Council formations.

Timing

Despite some improvements in 2013, the time constraints applying to the final stage of the European semester constitute a major challenge for ensuring ownership, and a holistic and multilateral approach. If not addressed, they may endanger the timely adoption of CSRs by the Council. Depending on ongoing discussions on deepening the EMU, the overall calendar of the European semester may also need to be re-examined.

While far-reaching changes may not be possible in 2014, any reduction in the time available for the Council and its preparatory bodies to process CSRs could jeopardise their approval. It is strongly recommended that:

- ⇒ all Member States present their National Reform Programme and Stability and Convergence Programmes by mid-April.
- ⇒ the Commission presents its proposals for CSRs by May and no later than it presented them in 2013 and explores the possibilities for presenting Staff Working Documents before the CSR proposals.

Conclusion

The Presidency and all other members of the Council, the Commission and the chairs of EFC, EPC, EMCO and SPC and other preparatory bodies of the Council are invited to implement the recommendations presented above as well as the 2012 recommendations in the 2014 semester and upcoming European semester cycles.

The incoming Presidency, taking into account these recommendations, is invited to present a roadmap for the 2014 European semester for one of the upcoming meeting of the Council (General Affairs).
