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REPORT

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to: General Affairs Council

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Subject: Recommendations for Council Recommendations on the National Reform
Programmes 2012 to each Member State
- *Approval (Article 148 TFEU)*

I. INTRODUCTION

On 30 May 2012, the Commission presented 27 Recommendations for a Council Recommendation based on Articles 121(2) and 148(4) TFEU, as well as Article 5(2) of Regulation 1466/97 -or Article 8 (2) of that Regulation, if the Member State concerned is a Member State whose currency is not the euro. These documents combine economic and employment recommendations with the Council opinions on Stability or Convergence Programmes. The Recommendations are presented in 27 different documents, one for each Member State, plus one additional document for the Euro area.

On 30 May, the Commission also submitted an overall *Communication on Action for Stability, Growth and Jobs* outlining its approach to the country-specific Recommendations as well as, under Article 136 TFEU in combination with Article 121(2) TFEU, a separate set of recommendations for the economic policies of the countries whose currency is the euro. Although the programme countries¹ received one CSR, they were not included in this review exercise.

New elements have been introduced this year. For the first time, the six pack of legislation on economic governance has come into force with focus on structural reforms. Also for the first time, the Commission has made reviews based on the macroeconomic imbalances procedure (MIP). They covered 12 countries: Belgium, Bulgaria, Denmark, Spain, France, Italy, Cyprus, Hungary, Slovenia, Finland, Sweden and the United Kingdom.

The legal basis requires the Council to consult the Employment Committee (EMCO) and the Economic and Financial Committee (EFC) before it decides on the country-specific recommendations. The EFC has delegated part of its work to the Economic Policy Committee (EPC). Certain parts of the Recommendations fall under the competence of the Social Protection Committee (SPC), which has provided its input to EMCO and EPC / EFC.

No consultation of the European Parliament is required, although Article 121(2) TFEU provides that the Council should inform the European Parliament of the Recommendations which it has adopted.

¹ Greece, Ireland, Portugal and Romania.

II. THE PROCESS - STATE OF PLAY

The CSRs with employment-related aspects were examined in a joint EMCO and SPC meeting on June 6 as well as in a joint EMCO and EPC meeting on June 7. The aspects relating exclusively to Article 148 TFEU were further analysed by the EMCO meeting on 12-13 June. The results of the Committees' work were submitted to the Permanent Representatives Committees (Parts I and II). On 20 June, COREPER (Part I) discussed the employment-related aspects of the Recommendations and agreed on some factual modifications and/or corrections which were reflected in the texts of the respective Member States' Recommendations.

At its session on June 21, the Council (EPSCO) held a policy debate on all the sub-items on the 2012 European Semester (*see agenda 11203/12*), with particular focus on the country-specific recommendations. Ministers recognised the importance of stepping up reform efforts governed under the European Semester and put special emphasis on the following aspects:

On the substance:

- the focused discussion of central policy issues under the European Semester process was generally supported. Ministers considered that CSRs were a useful instrument in guiding policy responses to the main labour market challenges faced by EU Member States. Although some expressed that they were not always in full agreement with the Commission proposals for CSRs, there was a broad agreement that the topics addressed were those that represent important challenges in the present situation of continuing debt crisis, with serious impact on growth and employment;
- on horizontal issues such as pensions, wage-setting mechanisms and tax wedge on labour addressed in the CSRs to several Member States, many Ministers stressed the need for the EPSCO Council to fully retain ownership of these issues of common concern; some Ministers reiterated that reforms on wages should continue to be subject to consultations with the Social Partners.

- on pension policies in particular, Ministers pointed out that pension reforms should not be reduced to sustainability aspects; the primary function of pensions is to respond to social needs and the adequacy element should therefore be equally taken into account;
- Ministers welcomed the weight given to social issues in the CSRs and emphasised the importance of multilateral surveillance also on those issues with a view to strengthen social cohesion within the Union;

On the process:

- the exercise would need to be improved through appropriate upstream consultations between the individual Member States and the Commission so as to fully take into account the different national contexts. The Recommendations, as well as their accompanying recitals, should adequately reflect the situation of the Member State concerned;
- in order to improve the process, more time should be provided for the examination of the CSRs and the procedures should be made clearer, including voting rules;
- the Recommendations should not be overly prescriptive with regard to the method to be used, leaving open the possibility to have recourse to alternative means to achieve the objective;
- several issues addressed in the CSRs are becoming more and more horizontal; therefore, and where relevant, some degree of consistency should be established between the CSRs on issues in the same policy area addressed to several Member States;

- while understanding the Presidency's pragmatic approach on the handling of the integrated recommendations Ministers emphasised that practical arrangements could not exclude political discussion in relevant Council formations.;
- as a consequence of this approach, some Member States (BE, BG, CY, HU and MT) requested the Presidency to transmit their position on issues of common concern to the ECOFIN Council (22 June)².

In addition, BE maintained a reservation on CSR 2 and 4 (*to be dealt with by ECOFIN*).

UK maintained a parliamentary scrutiny reservation on all the Recommendations.

III. CONCLUSION

The EPSCO Council:

- approved the employment-related elements of the country-specific Recommendations (as listed in *doc. 11296/2/12 REV 2*), including the amendments agreed during the course of the meeting, and the explanatory note (*doc. 11321/2/12 REV 2*).
- took note of the declarations made by four Member States (BE, BG, CY and PL) to be included in the Council Minutes.

² The Presidency has transmitted the written positions of the five Member States to the attention of the ECOFIN.