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NOTE

from:	The Presidency
to:	COREPER/Council
Subject:	European Semester 2012 - Lessons learned

The 2012 European semester cycle, the second after the adoption of the Europe 2020 Strategy in 2010, was successfully completed with the adoption by the Council of the Country-specific recommendations (CSR) on 10 July 2012 (doc. 11296/4/12 REV 4). Following a preliminary exchange of views in the ECOFIN Council on 10 July, the EPSCO Council of 4 October and ECOFIN Council of 9 October 2012 will discuss the lessons learned from the semester.

With a view to the Council (General Affairs) meeting of 24 September 2012, delegations will find below issues for discussion related to the lessons learned from the European semester 2012 and possible improvements for 2013.

1. **Focus on results**: The aim of the European semester is to ensure that the policies implemented by Member States reflect jointly agreed priorities, inscribed in the CSR. As the exercise reaches maturity, the CSR are not expected to significantly change from year to year, making the focus on implementation all the more relevant. The 2012 exercise revealed a number of shortcomings in this regard (doc. EUCO 4/2/12 REV 2). Some changes are already underway: the Macroeconomic Imbalances Procedure (MIP) foresees consequences for excessive deficits (Regulation 1174/2011) and following the Euro-area Heads of State and Government statement of 29 June 2012, the flexible use of European Stability Mechanism instruments will be made conditional upon CSR implementation.

Beyond this, the Commission could consider other improvements, notably as regards CSR prioritisation and differentiation: in 2012, both in the European semester proper and in the MIP, Member States were treated relatively "similarly" despite differences in their economic situation. The level of detail of CSR could also be reflected upon: Member States need some leeway to choose the implementation path that best suits their national conditions, in particular in areas which remain in Member States' competence.

Council discussions on the European semester could be used to streamline the process in particular in the first phase of the semester, from the publication of the Annual Growth Survey to the Spring European Council. During this phase, the Council could focus on an implementation review. This would require preparation both by the Commission, in cooperation with individual Member States, and the Council preparatory bodies. In this regard, the Council could welcome the proposal of the Commission to organise a series of bilateral meetings in October, to take stock of planned actions to implement the 2012 recommendations.

2. **Holistic approach**: A key value-added of Europe 2020 strategy lies in its integrated nature. This has been reflected in the European semester which engages all relevant Council formations in its first phase, leaving the second phase, the CSR, to the two configurations responsible for macroeconomic and employment guidance, ECOFIN and EPSCO. GAC has maintained an overview, notably through the semester roadmap, the synthesis report on Council discussions on the Annual Growth Survey, and approval of CSR in their entirety before EC endorsement. In 2013, while maintaining the broad involvement of Council formations, the role of Coreper could be better exploited.

Given the integrated nature of the semester and the number of cross-cutting issues, the division of labour between EPSCO and ECOFIN is an issue. In 2012, the division of work at committee level was decided by the committee secretariats whereas, for Coreper and Council, the Presidency redistributed tasks, entrusting cross-cutting issues as well as the CSR falling under the MIP to ECOFIN. This decision was strongly challenged at EPSCO. For 2013, the distribution of tasks between the different Council configurations could be better articulated through stronger involvement of the Presidency, on the basis of discussion at Coreper and the GAC, in providing direction to the committees on the division of work and consistency in this division at all levels. This guidance could remain consistent in future European semesters and reviewed when deemed necessary. Stronger inter-linkages could also be built between EPSCO and ECOFIN discussions.

The **Competitiveness Council** plays a key role in a number of policy areas that are central to Europe 2020 strategy as well as to the Compact for Growth and Jobs (doc. EUCO 76/12), notably the Single Market. Its importance for the European semester is highlighted by the Commission decision to issue, from 2013, annual reports on the integration of the Single Market as an annex to the AGS. A stronger highlight could be given to the issues dealt with the COMPET Council which are directly relevant to the European semester, such as the SMA I and II, for example by devoting more importance to this work in the Presidency synthesis report or by producing an annual report on growth enhancing measures.

3. **Dialogue**: Dialogue, both bilateral and multilateral, is essential to ensure CSR quality and ownership. Apart from the regular dialogue between Commission country desks and Member States, in 2012, the Commission held semester-specific bilateral discussions with all Member States in January. They were, however, brief, technical and not fully linked to the formulation of CSR. Deeper dialogue from a very early stage, including through higher level and political contacts, could provide better information on CSR implementation. It could also allow for complementing, and clarifying any divergences of views on, the facts underlying the CSR, subsequent Commission analysis and the CSR themselves, thus facilitating agreement. In this regard, the Council could welcome the Commission proposal to organise three series of bilateral meetings at key moments in the preparatory cycle, in October, December/January, and April.

A multilateral dialogue on CSR is necessary for peer pressure but remains a challenge notably given the time constraints. In the current timeframe, it is practically impossible for a Member State to examine their own CSR and the CSR of 26 other Member States within a week's time. In 2012, some improvements were introduced, notably the "thematic surveillance" by EMCO and SPC. The so called "comply or explain rule", i.e. that the Council has to explain if it modifies Commission's recommendations (doc. 11321/2/12), improved transparency but did not seem to considerably strengthen the peer pressure. In the next cycle, starting with autumn 2012, thematic discussions on overarching issues at committee and Council level, could help prepare for CSR handling. In this regard, the Council could welcome the willingness of the Commission to further pursue multilateral surveillance of CSRs throughout the year.

With the growing importance of the semester, the dialogue should be extended to parliaments and other stakeholders. Given the time constraints on CSR, Member States could explore how to better involve national parliaments and, where relevant, social partner organisations, in the first phase of the semester.

4. **CSR Handling**: The 2012 cycle saw some improvements in timing, in particular for the first phase with the early submission of the AGS enabling better preparation of Council discussions before the Spring EC. This did not, however, impact on CSR timing: their handling was squeezed within 3 weeks in June, leaving Member States with limited time for analysis and discussion. Properly addressing the time constraints would require an overhaul of Commission and Member States' calendars for statistics, budget preparation etc, including changes in the six-pack. However, this could only be considered for the future. In the same context it could be assessed whether the CSR exercise should be organised in a longer cycle, for example every two years. A provision for yearly exercises could be foreseen for certain Member States, based on a classification and taking into account the changing economic conditions. Under current constraints, Member States could improve the situation by submitting their National Reform Programmes and Stability or Convergence Programmes by mid-April, facilitated by the Commission commitment to provide earlier guidance on NRP structure and content. Subsequently, the Commission could consider a somewhat earlier presentation of the CSR. Earlier planning by the Presidency, together with the Commission and the committee chairs, including through round-table discussions, could be initiated to facilitate CSR management. It could include presentation of the Semester roadmap to the December GAC.

CSR discussions in 2012 suffered from procedural shortcomings, in particular confusion over applicable voting procedures at committee stage. This could be addressed through improved coordination between the Presidency and the Committee chairs/Commission, based on the advice provided by the Council Legal Service (doc. 11223/12) confirming the applicability of qualified majority voting.

The MIP was not fully synchronised with the rest of the semester. The Alert Mechanism Report (AMR) was only available in February and Member States had no possibility to discuss the in-depth reviews before related CSR were made. The Council could welcome the Commission's intentions to adopt the AMR together with the AGS and the in-depth reviews by end-March. An early presentation of the AMR to both ECOFIN and EPSCO could also help to better prepare CSR discussions.