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PRESIDENCY NOTE

from: Presidency
to: Committee of Permanent Representatives/Council

Subject: Lessons learned from the 2012 European Semester
- Synthesis report

Delegations will find attached the synthesis report prepared by the Presidency on the discussions within the Council in relation to lessons learned from the 2012 European Semester and recommendations for 2013.

The 2012 European semester was the first full European semester building on enhanced economic policy coordination. It was concluded in July 2012 with the adoption by the Council of the Country-specific recommendations (CSR). In many respects, the 2012 exercise can be considered a success: it resulted in more concrete, focused and coherent policy advice with more political weight, which should lead to better implementation. However, some shortcomings and areas for improvement were also identified.

The conclusions of the European Council of 18-19 October 2012 invite the Presidency to submit a synthesis report on the lessons learned from the 2012 European semester with a view to making improvements for the 2013 exercise. The present synthesis report builds on the lessons learned identified within the Council and puts forward related recommendations.

The report is based on discussions within the Council on 10 July (ECOFIN), 24 September (GAC), 4 October (EPSCO) and 9 October 2012 (ECOFIN). It also draws on the contributions prepared for these meetings by the relevant committees, the letter of 13 September 2012 from the Commission Secretary-General, the lunch discussions of the Competitiveness Council of 11 October 2012, and discussions on the European semester bilateral meetings between the Commission and Member States in October 2012.

The European Parliament has set out its views on the implementation of the 2012 European Semester in its resolution of 26 October 2012.

Ownership and implementation

The aim of the European semester is to ensure that the policies implemented by Member States reflect jointly agreed priorities, inscribed in the CSR. While the outcome of the 2012 exercise was successful, it revealed a number of shortcomings. Some changes are already underway: the Commission agreed to bring forward the submission of the Annual Growth Survey and the in-depth reviews under the Macroeconomic Imbalances Procedure (MIP). 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 these measures, CSR implementation depends on their ownership by the Member State in question. To enhance ownership and keep implementation under review, it is recommended that:

- ⇒ Without putting at risk the multilateral aspect of monitoring, a deeper and more continuous dialogue between the Commission and Member States be put in place, starting at an early stage of the cycle and reaching also the political level. The aim of this dialogue is to clarify both the Commission assessment and identify appropriate policy responses. The proposals made by the Commission for the 2013 exercise, including on three rounds of bilateral meetings, are welcome and should be fully utilised.

Stronger ownership also requires improvements in CSR quality. It is recommended that:

- ⇒ the Commission put greater emphasis on the country-specificity of CSR as well as on their prioritisation and differentiation according to the gravity of the circumstances in each Member State.
- ⇒ the Commission ensure that CSR be sufficiently concrete to ensure a policy response which can be monitored but also leave appropriate room for Member States to choose the policy means to meet the agreed objectives, in particular in areas in Member States' competence and where social partners play a major role. In cases of insufficient policy response, or when the gravity or urgency of the challenge so require, greater prescriptiveness, also as regards implementation timelines, should be considered.

The European semester should be an open and inclusive process, engaging parliaments and all relevant stakeholders, both at European and national level. It is recommended that:

- ⇒ the Council Presidency, Commission and Member States involve parliaments and relevant stakeholders in the European semester. This engagement should apply from the early stages of the annual cycle, considering the time-constraints applying to the approval of CSR.

Multilateral approach

The 2012 semester represented a step towards a more multilateral process where peer pressure played a greater role. This path should be further pursued. For peer pressure to work, it is fundamental to promote convergence of views on the underlying challenges, analytical frameworks and appropriate policy responses. It is recommended that:

- ⇒ the Council Presidency ensure that Council deliberations in the first phase of the semester are better used to discuss the main challenges across Member States and review the state of implementation of the policy advice.
- ⇒ the Commission help prepare these discussions, notably drawing on the results of its bilaterals with Member States.

In achieving a multilateral approach, the multilateral surveillance performed by the committees involved in the European semester (EFC, EPC, EMCO and SPC) plays an essential role. It is recommended that:

- ⇒ all committees further reinforce multilateral surveillance, both its country and thematic aspects and establish related work programmes.
- ⇒ committees draw conclusions from the surveillance to feed in their work on 2013 CSR.
- ⇒ the Commission facilitate the preparation of 2013 CSR discussions by sharing its analysis underpinning the CSR before relevant recommendations are made.

The so called comply or explain rule established in the six-pack, i.e. that the Council as a whole has to explain if it modifies Commission recommendations, led to a more stringent process in 2013 but there is still room for improvement. It is recommended that:

- ⇒ the Presidency and the Commission clarify with committee chairs the details of implementing the comply or explain rule.

Holistic approach

The European semester brings together three procedures (SGP, Europe 2020, MIP) covering complex policy areas with numerous interactions and constantly developing but variable coordination arrangements. To meet this management challenge, it is recommended that:

- ⇒ the Presidency ensure that all relevant Council configurations are engaged on the substance of the semester in their area of expertise.
- ⇒ the Commission ensure its recommendations reflect relevant policy challenges in a balanced and coherent manner.
- ⇒ the Presidency ensure that the role of the Competitiveness Council, particularly as regards its contribution to the European Council, fully reflects the emphasis on the growth agenda and also takes into account the envisaged annual report by the Commission on the integration of the Single Market.
- ⇒ Member States ensure internal coordination in all matters pertaining to the semester with the view to present coherent positions in the committee discussions.
- ⇒ Committees reinforce their coordination and cooperation particularly on cross cutting issues of relevance to more than one committee and provide for joint committee meetings where necessary and appropriate.

As regards more specifically the articulation between EPSCO and ECOFIN, it is recommended that:

- ⇒ the Presidency ensure that both formations debate all issues relevant to their area of competence covered by the semester in a comprehensive manner.
- ⇒ as regards formal decision-making, the Presidency ensure, in cooperation with the Committee Chairs, a greater clarity on the division of labour at an early stage, appropriately reflecting the legal basis underpinning the CSR.
- ⇒ the Presidency ensure that - while avoiding additional complexity - cooperation between the two formations be strengthened exploring measures such as cross-participation of chairs.

The General Affairs Council and Coreper play a key role in maintaining an overview of the European semester process, including through the semester roadmap, the synthesis report on Council discussions, and the approval of CSR in their entirety. The role of the General Affairs Council is more prominent in the first part of the European Semester as it provides horizontal political guidance on the basis of the Annual Growth Survey, which should be well anchored at the highest political level. In the second part of the European Semester and in the preparation of the CSR and country surveillance, the specific competence of the relevant Council formations should be respected. It is recommended that:

- ⇒ the Presidency ensure the role of Coreper in overseeing the process is better utilised.
- ⇒ the Presidency assume a stronger role in planning the semester and coordinating the work of all actors, in particular the committees.
- ⇒ The incoming Presidency submits a comprehensive roadmap for the following semester to be noted at the December GAC.

Timing and procedures

The time constraints applying to the European semester, in particular its final stage constitute a major challenge for ensuring ownership, and a holistic and multilateral approach. In this regard, the Commission commitment to advance the MIP and better synchronise it with the rest of the semester is welcome. It is further recommended that:

- ⇒ all Member States present their National Reform Programs and Stability and Convergence Programs by mid-April.
- ⇒ the Commission review its internal procedures to explore the possibility of presenting the CSR earlier than in 2012.
- ⇒ the Presidency, together with the President of the European Council, schedule the meetings of the European Council and the Council so that maximum time be provided for CSR.
- ⇒ in the longer term, the Commission consider whether more far-reaching changes to the timetable are possible without jeopardising the quality and reliability of statistical data.

2012 CSR discussions at the committee stage were affected by procedural shortcomings. It is recommended that:

- ⇒ the Presidency, the Commission and committee chairs clarify and agree on efficient working arrangements and a calendar for committee work on the semester. These arrangements should clarify the applicable voting arrangements where appropriate. They should also promote the use of written procedure.
- ⇒ Member States show restraint in proposing amendments to Commission recommendations.
- ⇒ Member States and the Commission ensure that all parties have an adequate negotiation mandate to be able to make progress at committee level.

Conclusion

The Presidency, incoming Presidency and all other members of the Council, the Commission, and the chairs of EFC, EPC, EMCO, and SPC are invited to implement the recommendations presented above for the European semester 2013.
