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NOTE

From: General Secretariat of the Council
To: Delegations
Subject: European Semester - Synthesis report 2017

Delegations will find attached the synthesis report prepared by the Presidency on the discussions and the main political messages of the different Council configurations in relation to the 2017 European Semester.

Introduction

The European economy is experiencing a moderate and relatively job-intensive recovery, that has recently shown some resilience against global challenges. According to the Commission's latest Winter Forecast, all 28 Member States are expected to grow in 2016, 2017 and 2018. However, despite these positive developments, the recovery is still subject to a large degree of uncertainty, investment activity continues to be weak, unemployment and public debt levels remain very high in some regions, and economic performance is unevenly distributed, with substantial structural problems dragging on growth in some Member States.

In consequence, decisive and coordinated policy action as well as swift reform implementation are essential to strengthening the ongoing recovery, to contributing to job creation, and to achieving long-term sustainable and inclusive growth.

The 2017 European Semester, which builds on a number of procedural improvements and innovations made during the last two cycles, aims at coordinating economic and social policies across the European Union in order to achieve as much progress as possible on these priorities. The Annual Growth Survey 2017, the starting point of the European Semester, sets out the general economic and social priorities for the European Union in the current year.

As in previous years, the Council adopted conclusions on the 2017 European Semester package. At the initiative of the Presidency, Ministers also held thematic debates on various topics related to the European Semester in different Council configurations. Additionally, the Presidency (on 14 February 2017) engaged in a debate on the European Semester at the European Parliament. This synthesis report summarises the conclusions and the results of the discussions held in the Council during the first phase of the 2017 European Semester.

The 2017 European Semester Package

The Commission adopted on 16 November 2016 the ‘Autumn Package’ for the European Semester, which included:

- the Annual Growth Survey 2017 ([14357/16](#));
- the draft Joint Employment Report from the Commission and the Council, analysing the employment and social situation in Europe and the policy responses by Member States ([14364/16](#));
- the Alert Mechanism Report 2017 ([14359/16](#));
- the ‘euro area recommendation’ (*Recommendation for a Council Recommendation on the economic policy of the euro area*) ([14358/16](#)), accompanied for the first time by the Commission communication ‘Towards a positive fiscal stance for the euro area’ ([14630/16](#)), focusing on the need for an expansionary fiscal stance in 2017 and inviting Member States overachieving their medium-term objectives explicitly to use their fiscal space. On 22 November 2016, the Commission completed the package with the publication of a report on the euro area (staff working document accompanying the draft recommendation to the euro area).

The Council welcomes the Commission’s Annual Growth Survey 2017 and broadly shares its analysis of the economic situation and policy challenges in the EU. In continuation of the economic strategy pursued in the last two European Semester cycles, the Annual Growth Survey maintains the focus on the virtuous triangle of investment, structural reforms and responsible public finances. As these three priorities are closely interconnected and mutually reinforce each other, an integrated approach at both the national and the EU level is key in achieving inclusive growth and sustainable economic development as well as enhancing the socio-economic climate for a better Europe.

The implementation of Country-Specific Recommendations is at the heart of the European Semester. While there has been some progress, further improvements in the track record of reform implementation would render the European Semester a more powerful instrument in coordinating economic policies across the EU, allowing it to more effectively contribute to the convergence across Member States and to a strong economic and social development of the EU as a whole. Therefore, it is essential to strive for improved reform implementation by sharing experiences on common challenges and on best practices, closely monitoring reform implementation, and by strengthening the dialogue with national stakeholders in order to increase their ownership.

Growth, competitiveness, and fiscal sustainability

On the basis of the ‘Autumn Package’, the Council discussed its economic priorities for the 2017 European Semester. While the Economic and Financial Affairs (ECOFIN) Council covered a broad range of issues, such as ways to strengthen the recovery and to increase productivity, pressing areas for structural reform, as well as fiscal sustainability and potential macroeconomic imbalances, the Competitiveness Council focused on a specific aspect of economic policy in a thematic debate on public procurement, a topic that is of high relevance for the efficiency and quality of government spending.

The ECOFIN Council (on 27 January 2017) adopted conclusions on the Annual Growth Survey¹ and on the Alert Mechanism Report², and approved the draft Council recommendation on the economic policy of the euro area³. Ministers broadly shared the Commission's analysis of the economic situation and policy challenges in the EU and agreed that the broad policy priority areas should be to boost investment, to pursue structural reforms and to exercise responsible fiscal policies. These priorities should be implemented in an integrated manner at both EU and Member State level to ensure inclusive growth and sustainable economic development.

¹ [5734/17](#) Council conclusions on the Annual Growth Survey 2017 (ECOFIN)

² [5735/17](#) Council conclusions on the Alert Mechanism Report 2017 (ECOFIN)

³ [5194/17](#) Recommendation for a Council recommendation on the economic policy of the euro area

The Council recognised that there is an urgent need to boost investment by improving the overall investment climate to strengthen the EU's economic recovery, and to increase productivity and growth potential. To this end, Member States are urged to tackle national and cross-border investment barriers, a number of which have been highlighted in the conclusions on tackling bottlenecks to investment⁴ adopted on 6 December 2016. At the same meeting, the Council reached a general approach on the proposal to extend the European Fund for Strategic Investment in terms of both duration and financial capacity which will help mobilising further investments in the EU. In the face of the high level of non-performing loans, the efficiency of national insolvency frameworks has to be further improved and an effective strategy to address viability risks in the banking sector in some Member States needs to be developed and implemented.

As regards structural reforms, Ministers underlined the importance of product market reforms to increase potential growth and improve the adjustment capacity of the economy. They broadly shared the Commission view that Member States need to invest more in creating supportive conditions for greater labour market participation, and effective training and upskilling. Finally, the Council stressed that completing the single market in both goods and services, and further work on the Digital Single Market, the Capital Markets Union and the Energy Union should be the priority. In addition, the draft euro area recommendation approved by the Council calls for continued work to complete the Banking Union and to make progress on completing the EMU.

Ministers agreed that Member States' fiscal policy should be supportive to growth while ensuring longer term debt sustainability, including through increased focus on the quality and the composition of budgets. As regards the euro area, Member States should aim for an aggregate fiscal stance, which strikes an appropriate balance between the need to ensure sustainability and the need to support investment.

⁴ [15314/16](#) Council Conclusions on tackling bottlenecks to investment identified under the Third Pillar of the Investment Plan (ECOFIN)

The Council conclusions underline the importance of monitoring performance and policy implementation, including implementation of the Country-Specific Recommendations, throughout the year. The track record on reform implementation is in need of improvement and will be discussed by the Council in March based on thorough assessment by the Commission. Further efficient and open dialogue in the capitals between Member States and the Commission, and an improved involvement of national stakeholders, is encouraged.

Regarding the Alert Mechanism Report, the Council shares the Commission's analysis and welcomed the progress made by Member States correcting macroeconomic imbalances. At the same time, the Council underlined that further policy actions are needed and agreed with the list of 13 Member States identified by the Commission for In-Depth Reviews (IDRs), which are part of the Country Reports published in February by the Commission.

On 20 February 2017, the Competitiveness Council held a thematic discussion on issues related to the area of public procurement in the context of the 2017 Annual Growth Survey and the European Semester. The discussion also drew on the findings of five debates held in the High Level Group on Competitiveness and Growth, which focused on topics associated with the Single Market (i.a. public procurement) and on reform implementation in the context of the European Semester.

During the debate, Ministers stressed the great importance of public procurement as a tool to boost innovation, competitiveness and sustainable growth, and as a key element in completing the single market. With EU governments spending around 14% of GDP on public procurement it is essential to ensure that procurement delivers the best value for public money.

Ministers shared experiences and best practices, and identified key policies that should be prioritised in the area of public procurement. Professionalising procurement both in terms of human resources and procurement processes, and promoting a wide availability of guidelines, training seminars, and explanatory notes is essential for a well-functioning public procurement system. Many Ministers highlighted the potential of strategic procurement which takes environmental and social aspects or innovative potential into account during the procurement process. Ministers also underlined the importance of defining and collecting procurement data at the national and at the EU level to improve monitoring and transparency and to identify irregularities, but emphasised that the administrative burden on companies and government institutions should be kept to a minimum. Within the European Semester, where public procurement issues are regularly addressed in Country-Specific Recommendations with mixed implementation progress, more emphasis should be put on supporting SME participation in public procurement and on promoting the digitalisation of the procurement process.

Jobs, education, and social inclusion

Social aspects play an increasingly important role in the European Semester, as considerations of inclusiveness and fairness are key for creating jobs and growth, benefitting all citizens, strengthening trust in the EU and bolstering common European values. This was also reflected in the Council's discussions on the 2017 European Semester, in particular during the meetings of the Employment, Social Policy, Health and Consumer Affairs (EPSCO) Council and of the Education, Youth, Culture and Sports (EYCS) Council.

Following an initial exchange of views on 8 December 2016, the EPSCO Council held on 3 March 2017 a policy debate on the implementation of the Country-Specific Recommendations, and in particular on enhancing labour market access and reducing divergences across the EU, in the context of the 2017 European Semester. At the same meeting, the Council adopted conclusions on the 2017 Annual Growth Survey and the Joint Employment Report⁵, and adopted the Joint Employment Report⁶.

⁵ [6885/17](#) Council conclusions on the 2017 Annual Growth Survey and Joint Employment Report (EPSCO)

⁶ [6887/17](#) Joint Employment Report

Ministers underlined that the economic, social and employment situation in the Union has improved but that more efforts are needed to continue to address the challenges that EU citizens face. In this regard, the increased focus of the Semester on employment and social aspects was very welcome, as was the intensification of the dialogue with the Commission, which ministers hoped would continue to expand even further. They concurred that the Semester provides an adequate framework for advancing Member States' reform efforts and for exchanging experiences and sharing best practices, in particular via peer reviews. These allow Member States to learn from each other, bearing in mind that every country has a specific situation and that a one-size-fits-all does not apply. Structural reforms need to be inclusive, paying attention to the segments of the population that most need it. Stakeholder consultation, and more particularly the effective involvement of social partners in the design and implementation of reform programmes, respecting national practices and contexts, is essential to guarantee increased ownership and fairness of reforms, as well as better outcomes.

In an ever-changing economic context where technology plays an increasingly important role and is transforming labour markets, ministers highlighted the need to invest in skills, education and life-long learning, and to ensure the labour-market integration of youth, the elderly and the long-term unemployed. The benefits of the collaborative economy should be reaped without endangering social protection systems nor the quality of jobs. The full labour market participation of women, and an ameliorated work-life balance, were underlined as essential for maximising the economic potential of the labour force. Tackling poverty and inequalities continue to deserve specific attention, in particular given great divergences within and across Member States.

In its meeting on 17 February 2017, the EYCS Council (Education part) held a public policy debate on the contributions of education and training to social cohesion and the fostering of common European values in the context of the 2017 European Semester. During the debate, Ministers stressed the high relevance of this topic considering the central role education policy plays in building an inclusive society based on active citizens that share common European values and embrace democracy, human rights, and diversity. While providing young people with the necessary skills to actively participate in the labour market remains a key objective, Ministers underlined the increasing importance of education as a tool to promote inclusion in diversity based on common values, media literacy, critical thinking, and social cohesion in response to tendencies of radicalisation that may lead to violent extremism, racism, and intolerance. Initiatives such as the new European Solidarity Corps and the Erasmus+ programme were highlighted as important symbols of European values essential for the positive development of many young people.

In light of the latest OECD PISA 2015 results, which show the negative impact of socio-economic disparities on a learner's overall educational attainment, Ministers discussed best practices to provide high quality education and training for all, and in particular to mitigate educational inequalities by supporting marginalised learners, who have different and special needs or are at risk of early school leaving and of social and economic deprivation, with individualised, tailor-made solutions. Ministers stated that it is therefore crucial that education and training policies together with evaluation systems move away from a one-size-fits-all framework. Key actions should be life-long and should already start during early childhood with interventions taken as soon as risks or difficulties are recognised. The Ministers' key message here is that schools and other educational institutions should be left with sufficient flexibility to enable innovative responses to specific situations. However, while education and training play a significant role, a broad and coordinated range of strong social and economic policies is necessary to successfully bolster social cohesion and inclusiveness.

As highly qualified teachers are at the heart of a well-functioning education system, the debate also focused on best practices in supporting continuous professional development of teachers, educators, and other teaching staff. The discussion highlighted several key elements, such as continuous training programmes throughout the career of teachers, creating platforms to facilitate and promote learning from peers, and integrating topics like ethics, citizenship, and politics into teachers' training.

Greening the European Semester

The Council also discussed the European Semester from an environmental perspective. As the economic system depends largely on the availability and sustainable use of limited natural resources, greening the economy and advancing the transition towards a resource efficient circular economy becomes essential to secure future competitiveness and long-term sustainable and inclusive growth.

On 28 February 2017, the Environment Council held an exchange of views on Greening the European Semester. In this context, Ministers also discussed the Communication on *The EU Environmental Implementation Review (EIR)* ([5967/17](#) + ADD 1) adopted by the Commission on 6 February 2017. The aim of the EIR, and of the 28 Country Reports accompanying the Communication, is to offer Member States a tool to improve the implementation of EU environmental policy and legislation, and to contribute to the greening of the European Semester.

Ministers appreciated that the 2017 Annual Growth Survey contains some key environmental elements. In particular, it highlights the importance of sustainable and climate related investment and of supporting the transition towards a low-carbon and circular economy, which will also help to strengthen growth and job creation. However, some Ministers regretted that overall, the Survey still puts too little emphasis on environmental and sustainability aspects and leaves out a number of key instruments for sustainable development and green growth, including resource efficiency, green economy, green jobs, sustainable innovation, synergies between green and blue economy and green financing. In addition, Ministers emphasized the importance of the links with the Union's 7th Environment Action Programme (EAP), the Europe 2020 Strategy and the 2030 Agenda for Sustainable Development. A proper greening of the European Semester would be beneficial in terms of growth and jobs and contribute to effectively implementing the 2030 Agenda at EU level. The need to ensure complementarity of these processes, while avoiding duplication, was also underlined.

Ministers welcomed the Commission's new Environmental Implementation Review initiative as a useful tool to help improving the implementation of EU environmental policy and legislation at national level and contribute to the greening of the European Semester, while underlining the need for national reports findings to be based on sound scientific data. Finally, Ministers welcomed the opportunity provided by the EIR to Member States to engage in dialogue and cooperation with the Commission and among themselves ("peer-to-peer"), with the aim to reflect on their respective priorities, address common challenges and share best practices.