

ANNEX: TAKING FORWARD THE EUROPEAN SEMESTER IN 2013-2014

In July 2013, the Council concluded the third European Semester by adopting country-specific recommendations for 2013-2014. These were based on the Commission's analysis of the Member States' 2013 National Reform Programmes (NRPs) and Stability or Convergence Programmes (SCPs), which outlined their plans for economic and fiscal policies and structural reforms. The recommendations now need to be fully implemented through Member States' national decisions on budgets and structural reforms. Under the new procedures of the Two pack, new steps have been introduced this autumn with the submission of draft budgetary plans by euro area Member States and economic partnership programmes by several Member States, which will then be assessed by the Commission.

In keeping with the reinforced partnership with Member States, this note sets out how the Commission intends to follow up on the implementation of the 2013 country-specific recommendations and take forward the European Semester in 2014.

I. Following up on the 2013 European Semester

a) Contacts with Member States

Building on the reinforced dialogue with Member States since the last cycle, the Commission plans to continue organising quarterly **bilateral meetings in Brussels** to take stock of the implementation of the 2013 country-specific recommendations (CSRs):

- The first round of bilateral meetings will take place in the autumn (during October/November);
- A second set of meetings will take place in the beginning of February 2014;
- A final round of bilateral meetings will take place in April 2014.

While three rounds of these meetings proved useful for the large majority of Member States, as regards the need for the last bilateral meeting, flexibility would seem warranted in cases of Member States with fewer country specific recommendations and also for the programme countries, given the parallel process of regular programme monitoring.

If Member States wish to continue and deepen the discussion on the agenda topics beyond the 1-hour slot of the bilateral, back-to-back meetings can be arranged with Commission experts.

As in the past, the bilateral meetings will be organised in Brussels with the help of the Presidency and the Permanent Representations. Video-conference facilities may be arranged, where appropriate. Draft agendas shall be sent two weeks in advance of the meetings.

To complement the bilateral meetings, **technical meetings** profiting from regular presence in Brussels of national policy experts will take place throughout the year **and technical fact-finding missions** will be organised to Member States, if deemed appropriate, generally before the end of February.

b) Specific monitoring of excessive macro-imbalances

In line with the macro-imbalances procedure, the Commission is closely monitoring the implementation of the National Reform Programme commitments and CSRs addressed to countries with excessive imbalances, on a more frequent basis starting from early autumn.

c) Implementation of the Two-pack

The Two-Pack Regulations entered into force on 30 May 2013¹, introducing new steps for autumn, which go hand in hand with the follow-up of the European Semester recommendations:

- Submission of **draft budgetary plans** by euro area Member States (except for programme countries) by 15 October at latest. The Commission will assess these and present its opinions towards mid-November.
- Submission of **Economic Partnership Programmes** by Member States with new steps introduced to their Excessive Deficit Procedures (i.e. France, Spain, Slovenia, Malta and the Netherlands) in early October. These programmes should outline fiscal structural reforms (e.g. of pension or health systems) taken or planned to ensure a lasting correction of the excessive deficits. The Commission will assess whether the reforms outlines in the partnership programmes are in line with the 2013 CSRs as adopted by the Council and will make proposals for Council opinions towards mid-November.

II. 2014 European Semester process

a) Annual Growth Survey 2014

Building on the positive experience of the past two years, the Commission foresees to adopt the Annual Growth Survey 2014 in November. The early presentation of the Annual Growth Survey allows the Member States and the other institutions sufficient time to examine the Annual Growth Survey ahead of the Spring European Council.

b) Alert Mechanism Report / In-depth Reviews

Like last year, the Alert Mechanism Report will be presented together with the Annual Growth Survey. The practice of presenting the in-depth reviews (IDRs) in March/early April will continue in order to allow Member States to discuss the IDR analyses before the adoption of the country-specific recommendations and give the opportunity for those Member States identified as having imbalances to indicate relevant reform efforts in their National Reform Programmes.

¹ The Two Pack Regulations strengthen the coordination and surveillance of budgetary processes for all euro area Member States, and especially for those countries that have excessive deficits, and create enhanced surveillance arrangements for those euro area Member States which are experiencing or are at serious risk of financial instability.

c) Spring European Council, 20-21 March 2014

On the basis of the Annual Growth Survey, the Spring European Council will adopt the political orientations which should be taken into account by Member States when finalising their 2014 National Reform Programmes and Stability or Convergence Programmes.

d) National Reform Programmes and Stability or Convergence Programmes

Member States will present their yearly reporting on progress made in implementing the country-specific recommendations and future plans in the National Reform Programmes and Stability or Convergence Programmes. Member States are invited to respect the submission deadline of 15 April.

For 2013, the Commission issued a revised guidance on the content and format of National Reform Programmes (NRPs) to encourage comparability, transparency and to facilitate assessment. The revised NRP Guidance contributed to greater comparability of the NRPs, as most Member States adopted the new NRP structure. However, the objective of obtaining a higher degree of analytical and quantitative information through the annexes has not yet been achieved. The Commission is ready to work with the Member States through the relevant committees in order to help overcome any methodological obstacles and difficulties related to data and models behind the quantitative elements.

In order to further stabilise the NRP format and content and ensure continuity from last year, attached to this note is an updated NRP guidance for 2014. The document largely builds on the 2013 edition, while it further simplifies some sections, building on this year's experience. Member States will be expected to follow the guidance in their 2014 National Reform Programmes.

Like in the past and reflecting the Two pack legislation, countries in an EU/IMF lending programme will not be required to submit a separate National Reform Programme or Stability or Convergence Programmes for 2014. In practice, the regular reporting in the programme context and the provision of the standard fiscal tables satisfy the reporting requirements for National Reform Programmes and Stability or Convergence Programmes. However, programme countries will be expected to provide information to the Commission in a letter by 15 April 2014 on their national Europe 2020 targets and to provide the standard fiscal tables.

Member States with sectoral or precautionary financial assistance programmes will be required to submit National Reform Programmes and Stability or Convergence Programmes.

Involvement of stakeholders

Involvement and close association of parliaments, social partners and representatives of civil society is essential to ensure ownership and facilitate progress on the implementation of policy recommendations, objectives and targets. Low level of involvement of such actors is one factor behind increasing criticism regarding lack of democratic legitimacy of the European Semester. Member States are invited to use the opportunity of the National Reform Programme to encourage such involvement and to report on the process as regards the preparation of the NRP and in the implementation of past guidance and commitments.

e) Country-specific recommendations package

On the basis of its analysis, the Commission will propose country-specific recommendations, after the 21/22 May elections for the European Parliament. These will include recommendations under the Stability and Growth Pact and under the macroeconomic imbalances procedure, and recommendations related to employment policies and structural reforms under Articles 148 and 121 of the Treaty.

The proposals for country-specific recommendations will continue to be supported by analytical staff working documents, also taking into account the in-depth reviews under the macroeconomic imbalances procedure. Updated thematic fiches providing cross-country comparisons in key policy areas will also be made available.

f) Discussions in Council, including the Committees

The analytical work carried out throughout the year by the Council configurations and committees (EFC, EPC, EMCO, SPC), examining Member States' practices in important policy areas through peer and thematic reviews, has proved very helpful in preparing the debate on the country specific recommendations. In this context, it would be relevant to further deepen the reviews of the areas that emerged the most in the Council discussions in June.

As regards the discussion of the proposed country-specific recommendations in the Council, the early preparations by the Presidency, the Commission and the committee chairs in establishing procedural rules for all parties before discussions start worked well this year and should be repeated for 2014.

In the Commission's view, there is still scope to reduce duplications of votes between committees and to ensure better coordination. As regards the comply-or-explain principle, the Council may consider drawing up a comprehensive comply or explain note that includes an explanation of all Council amendments to the recommendations no matter whether the Commission agreed to them or not, as this is also a tool for communication to the other Institutions and interested stakeholders.

g) European Council

The European Council shall examine the Commission's proposal for country-specific recommendations, followed by formal adoption by the Council in July 2014.

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EUROPEAN SEMESTER 2014: OVERVIEW OF THE MAIN MILESTONES

OCTOBER / NOVEMBER	BILATERALS WITH MEMBER STATES
NOVEMBER	COMMISSION ADOPTS ANNUAL GROWTH SURVEY AND ALERT MECHANISM REPORT
FEBRUARY	BILATERALS WITH MEMBER STATES
20-21 MARCH	SPRING EUROPEAN COUNCIL
MARCH	COMMISSION ADOPTION OF IN-DEPTH REVIEWS
APRIL	BILATERALS WITH MEMBER STATES
MID-APRIL	MEMBER STATES PRESENT NATIONAL REFORM PROGRAMMES AND STABILITY OR CONVERGENCE PROGRAMMES
21-22 MAY	EUROPEAN PARLIAMENT ELECTIONS
EARLY JUNE	COMMISSION PRESENTS COUNTRY-SPECIFIC RECOMMENDATIONS
JUNE	COUNCIL DISCUSSIONS
26-27 JUNE	EUROPEAN COUNCIL ENDORSES COUNTRY-SPECIFIC RECOMMENDATIONS