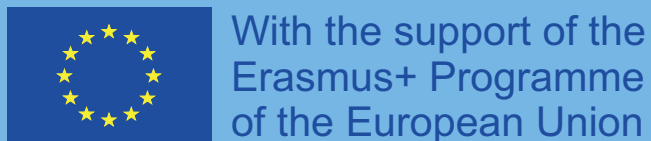


# Jean Monnet Module

## “Economic Policy in the European Union”

Session 3.2. The European Semester as an element of European economic governance

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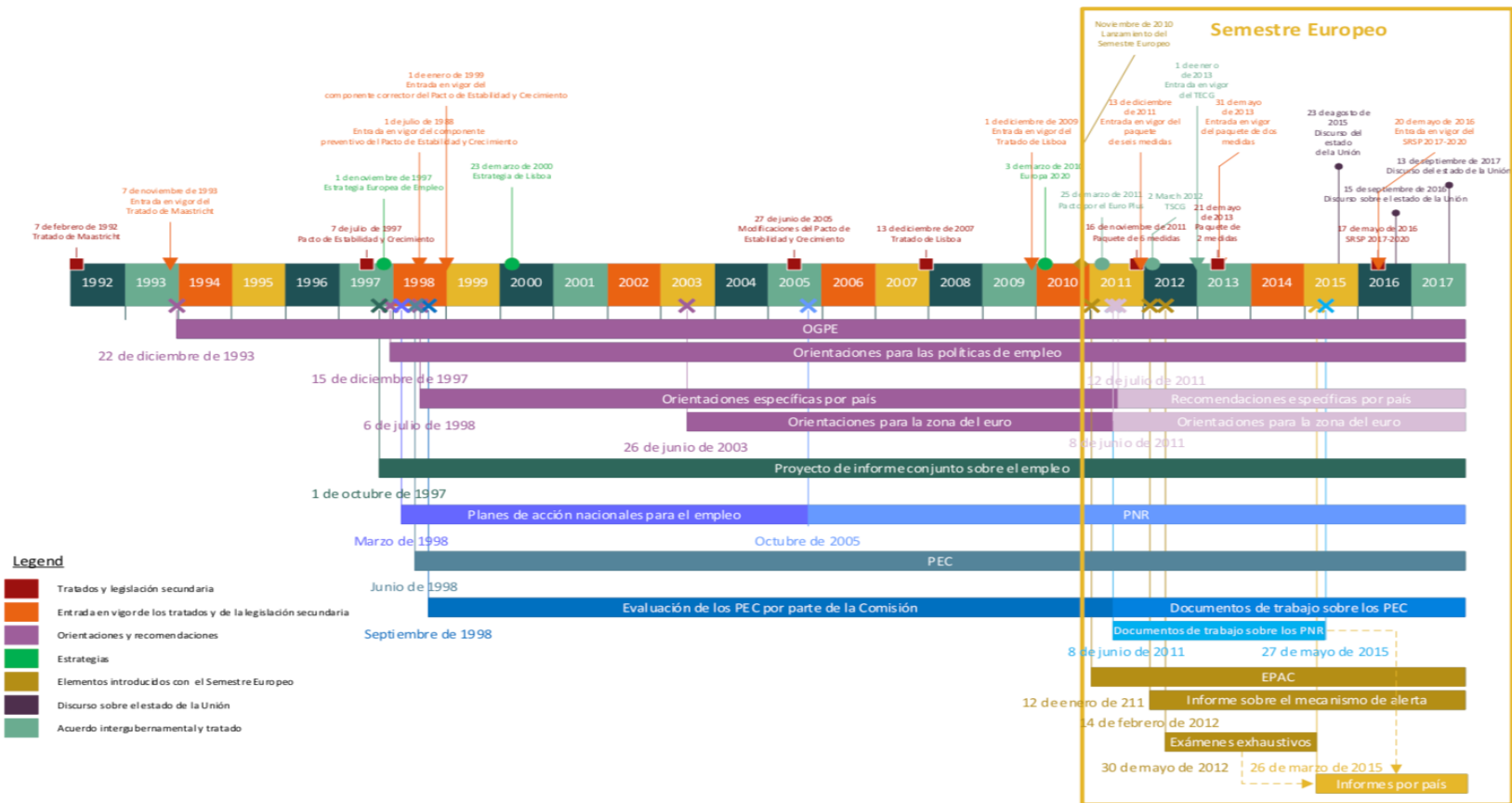


# INTRODUCTION

## **Before the financial and economic crisis:**

- planning of economic and budgetary policy took place essentially at the national level
- Community coordination of national efforts → limited
- ex-post evaluation of the suitability of economic policies following the rules of the Stability and Growth Pact and the general guidelines of economic policy
- little peer pressure between Member States

# EVOLUTION OF THE ECONOMIC POLICY COORDINATION PROCESS SINCE 1993



Fuente: Tribunal de Cuentas Europeo.

# EUROPEAN SEMESTER: GENERAL CHARACTERISTICS

- an annual cycle of socio-economic policy coordination
- a monitoring process
- relies heavily on tax and economic information, collected from Member States and analysed by the European Commission ex ante
- provides analysis of budget and economic reform plans prior to adaptation
- is the European Commission that monitors progress at specific times throughout the year

# GOALS

- ensure more integrated fiscal and economic coordination
- ensure sound public finances
- prevent and correct excessive macroeconomic imbalances
- promote structural reforms
- boost jobs, growth and investment

# CONFIGURATION

It brings together in a single annual policy coordination cycle a wide range of EU governance instruments with different legal bases.

**These are three separate processes that work in parallel:**

- fiscal surveillance based on the Stability and Growth Pact (hard governance)
- the macroeconomic imbalance procedure (hard governance)
- the coordination of economic and employment policies of EU countries, based on integrated guidelines and a flexible form of policy coordination (soft governance)

	Dimensiones políticas del Semestre Europeo					
Ámbito	Presupuestaria		Macroeconómica		Microeconómica y estructural	
Orientaciones de la UE	Orientaciones integradas: Orientaciones generales de las políticas económicas (OGPE) y orientaciones para el empleo					
Política de la UE	Pacto de Estabilidad y Crecimiento		Procedimiento de desequilibrio macroeconómico (PDM)		Estrategia Europa 2020	
Subpolítica de la UE	Componente preventivo del Pacto de Estabilidad y Crecimiento	Componente corrector del Pacto de Estabilidad y Crecimiento (PDE)*	Medida preventiva del PDM	Medida correctora del PDM	Empleo	Crecimiento

*Nota:* \*El procedimiento de déficit excesivo (PDE) se inscribe en el Pacto de Estabilidad y Crecimiento y, aunque depende de la coordinación realizada en el marco del Semestre Europeo, cuenta con una base jurídica y procedimientos propios para su aplicación.


*Fuente:* Tribunal de Cuentas Europeo.

# BRIEF HISTORY AND LEGAL FRAMEWORK OF THE EUROPEAN SEMESTER

- European Council, March 25 and 26, 2010 → the first mention
- EC Communication "Strengthening the coordination of economic policies", May 2010:

*"A European Semester should encompass the supervision cycle of budgetary and structural policies. It would start at the beginning of the year with a horizontal review whereby the European Council, based on analytical input from the Commission, would identify the main economic challenges facing the EU and the euro area and provide guidance strategic policy. Member States would take into account the conclusions of this horizontal debate when preparing their Stability and Convergence Programs (CPS) and National Reform Programs (NRPs). The CPS and NRPs would be issued simultaneously, allowing the growth and fiscal impact of the reforms to be reflected in the strategy and budget targets. [...]. The Council, based on the Commission's assessment, would subsequently provide its assessment and guidance at a time when important budgetary decisions will still be in a preparatory phase at national level. In this context, the European Parliament should be adequately involved. "*



- 
- for the first cycle, the Semester was developed in the form of a code of conduct on the implementation of the Stability and Growth Pact
  - subsequently, it was codified in the EU Regulation in accordance with Article 2 of Regulation (EU) No. 1175/2011 of the European Parliament and of the Council of November 16, 2011 amending Regulation (EC) No. 1466 / 97 of the Council, concerning the strengthening of the supervision of budgetary positions and the supervision and coordination of economic policies (SGP)
  - the stated objective was “to ensure closer coordination of economic policies and sustained convergence of the economic performance of the Member States” through multilateral surveillance by the Council

# THE ARTICLE LISTS THAT THE EUROPEAN SEMESTER INCLUDES:

1. the formulation and monitoring of the implementation of the general guidelines of economic policy
2. formulating and reviewing the implementation of the employment guidelines
3. the presentation and evaluation of the stability or convergence programs of the Member States
4. the presentation and evaluation of the national reform programs of the Member States
5. surveillance to prevent and correct macroeconomic imbalances

# EUROPEAN SEMESTER CALENDAR: MAIN CHANGES DURING THE PERIOD 2011-2018

Ciclo	OTOÑO		INVIERNO	PRIMAVERA			VERANO
2011			① EPAC				
2012	Paquete de otoño (incluidos EPAC e informe conjunto sobre el empleo)		Informe sobre el mecanismo de alerta	Examen exhaustivo	Programas de estabilidad y convergencia y PNR	Documentos de trabajo de los servicios de la Comisión (evaluación de los programas de estabilidad y convergencia y los PNR)	Recomendaciones sobre la zona del euro
2013			Examen exhaustivo				
2014	Paquete de otoño (incluyendo EPAC, informe sobre el mecanismo de alerta e informe conjunto sobre el empleo)				Documentos de trabajo de los servicios de la Comisión (evaluación de los programas de estabilidad y convergencia)		
2015							
2016		Recomendaciones sobre la zona del euro	Informes por país (incluyendo examen exhaustivo)				
2017		Documento de trabajo de los servicios de la Comisión sobre la zona del euro					
2018							

Notas:

- ① EPAC incluido en el paquete de otoño y trasladado de enero en 2011 a noviembre en 2012
- ② Informe sobre el mecanismo de alerta incluido en el paquete de otoño y trasladado de febrero en 2012 a noviembre en 2012
- ③ Examen exhaustivo trasladado de abril en 2012 a febrero/marzo en 2013
- ④ Examen exhaustivo fusionado con el informe por país (publicado en febrero/marzo) en 2015
- ⑤ La evaluación de los PNR del documento de trabajo de los servicios de la Comisión ahora corresponde a los informes por país y se trasladó de mayo en 2014 a febrero/marzo en 2015
- ⑥ Las recomendaciones sobre la zona del euro se trasladaron de mayo en 2015 a noviembre en 2016

# STEP BY STEP

- the European Commission publishes recommendations
- based on the evaluation of the programs, the Council sends guidance to the Member States
- Member States must take into account the guidance given to them in the development of their economic, employment and budgetary policies before taking decisions regarding their national budgets for subsequent years
- the Commission monitors the progress of the Member States with the guidance
- in the event that a Member State does not act in accordance with the guidance received, it may receive further recommendations or a warning, or new measures could even be taken under the Stability and Growth Pact or the Macroeconomic Imbalance Procedure
- the European Parliament should be duly involved in the European Semester, in particular through economic dialogue and in order to increase transparency and accountability for decisions taken

# WHAT IS THE ECONOMIC DIALOGUE?

## Goals:

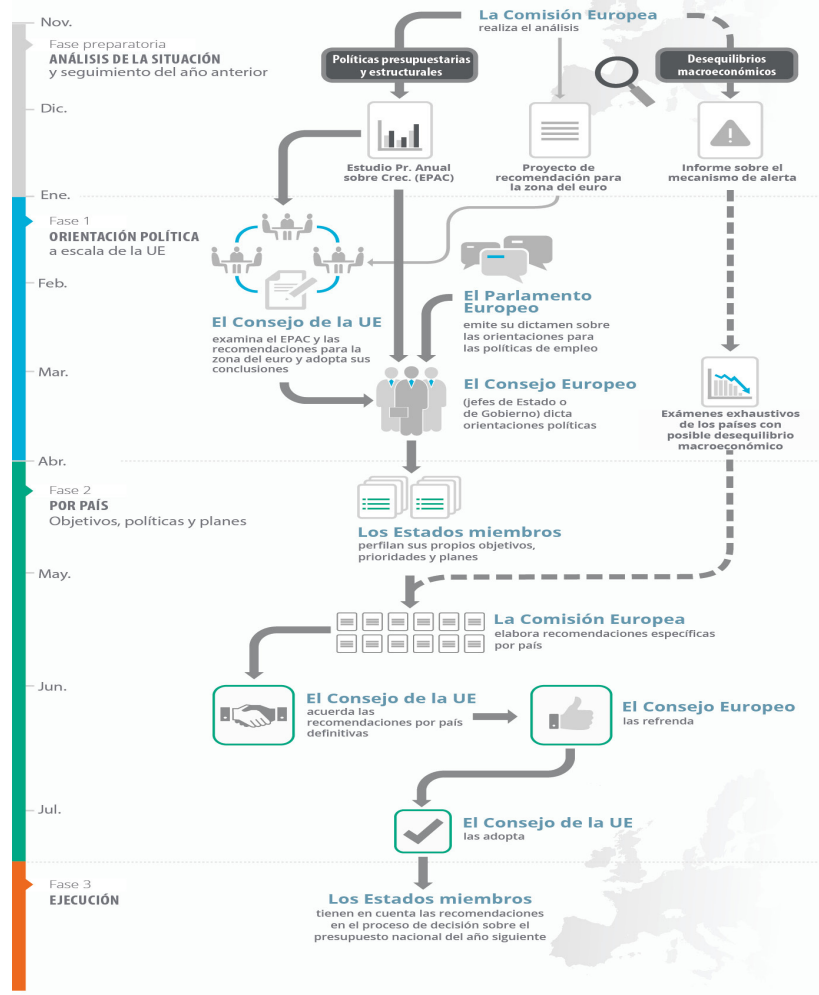
- improve dialogue between the Union's institutions
- ensure greater transparency and accountability

The competent committee of the European Parliament may invite the Presidents of the Council, the European Commission, the European Council or the Eurogroup to appear before the committee to discuss:

- information on the broad economic policy guidelines
- general guidance for Member States issued by the Commission at the beginning of the annual surveillance cycle
- the conclusions drawn by the European Council
- the results of the multilateral surveillance carried out under this regulation
- any review of the conduct of multilateral surveillance at the end of the European Semester
- Council recommendations to Member States in the event of major deviations

The European Parliament may offer the Member concerned to participate in an exchange of views.

# ¿Quién hace qué en el Semestre Europeo?



A finales de año se inicia un nuevo ciclo cuando la Comisión ofrece una visión general de la situación económica en su Estudio Prospectivo Anual sobre el Crecimiento para el año siguiente.

# ACTORS INVOLVED - EUROPEAN COMMISSION

Its main tasks are:

1. select priorities to be included in the annual growth survey
2. carry out the evaluation of the national reform and taxation plan
3. issue recommendations to the Council for its country-specific policy recommendations
4. monitor progress within the framework of the Stability and Growth Pact and the macroeconomic imbalance procedure

The Commission can, in case a Member State does not comply:

1. propose that the Council present further recommendations
2. issue a warning
3. propose that the Council initiate an excessive deficit procedure or an excessive imbalance procedure

# ACTORS INVOLVED - EU COUNCIL

It plays an important role during the European Semester, as it makes most of the formal decisions:

1. adopts country-specific and euro area-specific recommendations by qualified majority on the basis of a Commission proposal
2. discusses and monitors the national fiscal and structural reform plans in the relevant Council formations
3. you are free to deviate from the Commission's suggestions, provided you publicly give a reason for doing so (based on the “comply or explain” principle)

In addition, you can make a decision to initiate both the excessive deficit procedure and the excessive imbalance procedure and remain in command of the additional steps in these procedures.



# ACTORS INVOLVED - EUROPEAN COUNCIL

Is responsible for:

1. assess annual progress towards the agreed structural and fiscal reform targets for the EU as a whole and individual Member States
2. provide horizontal policy guidance for the EU and the euro area, specifically on the basis of the Commission's annual growth survey
3. discuss economic policy priorities and necessary actions
4. support political priorities, specific recommendations for each country and the euro area as proposed by the European Commission

# ACTORS INVOLVED - EUROPEAN PARLIAMENT

- participates in the European Semester mainly through economic dialogue
- within its framework, Parliament may invite the Presidents of the Council, the Commission, the European Council or the Eurogroup to discuss documents and procedures related to the European Semester
- in the specific case where a Member State is subject to recommendations under the preventive or corrective component of the Stability and Growth Pact and the macroeconomic imbalance procedure, Parliament may invite a national representative of that Member State for an exchange of points of view

# ACTORS INVOLVED - MEMBER STATES (I)

Are responsible for:

1. the timely presentation of the stability and convergence programs and the national reform programs, also respecting a specific model structure that would allow the EU to make comparisons between countries
2. the implementation of reforms at the national level in line with the guidance received and the successive recommendations.

On the economic side, the European Semester is discussed in:

1. the Economic Policy Committee
2. the Eurogroup Working Group on euro area recommendations
3. the meeting of alternates of the Economic and Financial Committee

The Economic and Financial Committee and the Eurogroup Working Group are the main preparatory bodies for the Economic and Financial Affairs Council and the Eurogroup, respectively, and their members usually sit alongside their finance ministers at relevant meetings.

# ACTORS INVOLVED - MEMBER STATES (II)

In the social aspect, the Employment Committee and the Social Protection Committee are identified as the main actors in the process.

Similar to what happens with the aforementioned economic affairs committees, these two committees prepare portfolios for the configuration of the Employment, Social Policy, Health and Consumer Affairs Council (EPSCO).

Member States are responsible for:

1. the timely presentation of the stability and convergence programs and the national reform programs, also respecting a specific model structure that would allow the EU to make comparisons between countries
2. the implementation of reforms at the national level in line with the guidance received and the successive recommendations

# HOW DOES THE EUROPEAN SEMESTER WORK?

- the Semester operates for a period of six months
- its start coincides with the approval of the annual budgets of the Member States and lasts until approximately the summer of next year (November-May)
- it is followed by a “national” semester in which the Member States incorporate what has been discussed, including the binding parts related to the SGP and the macroeconomic imbalances procedure.
- in the case of non-binding parties, they are only expected to incorporate them into their economic and fiscal policies

# SEPTEMBER: STATE OF THE UNION ADDRESS

- every year the President of the European Commission outlines political, economic and social priorities in a State of the Union address to the European Parliament
- subsequently, Parliament expresses its opinion by voting a resolution destined to be taken into account when formulating the annual growth survey



# NOVEMBER: THE FALL PACKAGE

The European Semester cycle begins in November with the publication of:

1. annual growth survey
2. alert mechanism report
3. joint employment report
4. recommendations for the euro area, accompanied by a working document
5. opinion on draft budget plans for euro zone countries



# ANNUAL GROWTH SURVEY

- is the Commission's main tool for expressing what, in its opinion, the EU's economic and social priorities should be for the following year
- takes the form of a Commission communication
- sets the overall economic and social priorities, social priorities of the EU and provides Member States with generic policy guidance for the following year

After its publication, the annual growth survey is discussed at national and EU level.

Taking these inputs into account, the Spring European Council provides guidance on reform priorities, which should then be reflected in Member States' programs and plans.

# ALERT MECHANISM REPORT (I)

- is a detection device
- issued on the same day as the annual growth survey
- constitutes the starting point of the annual macroeconomic imbalance procedure

The macroeconomic imbalance procedure aims to identify potential risks early on, prevent the emergence of harmful macroeconomic imbalances and correct existing imbalances in the economies of the Member States.

# ALERT MECHANISM REPORT (II)

- uses a table of selected indicators, as well as auxiliary indicators and additional relevant information, to detect in the MSS signs of possible economic imbalances
- identifies States for which an analysis in the form of an in-depth review may be useful (to assess how macroeconomic risks accumulate or diminish and to conclude whether there is an imbalance or excessive imbalance)
- once published by the Commission, the report is discussed in the Economic and Financial Affairs Council (ECOFIN) or in the Eurogroup, in the case of euro area Member States

# ALERT MECHANISM REPORT (III)

In addition, the European Council holds a debate after the publication of the annual growth survey and the alert mechanism report in order to agree on the main areas of coordination of economic policies and reforms.

Taking the feedback into account, the Commission prepares country-specific in-depth reviews in the following months and presents them in February.

In accordance with established practice, an in-depth review is always prepared for Member States where imbalances were identified in the previous round of in-depth reviews. Findings from the in-depth review are incorporated into country-specific recommendations.

# JOINT EMPLOYMENT REPORT

- the draft joint employment report (ICE) is mandated by article 148 of the TFEU
- it is a key element of the economic governance of the EU
- provides an annual overview of the main employment and social developments in the EU as a whole, as well as the reform actions of the Member States
- monitors the performance of Member States in relation to the European Pillar of Social Rights

# RECOMMENDATIONS FOR THE EURO AREA, ACCOMPANIED BY A WORKING DOCUMENT (I)

The euro area recommendation on economic policy is adopted on the basis of Articles 136 and 121 of the Treaty on the Functioning of the European Union.

A Council recommendation is not binding, that is, individual Member States are invited, but they are not obliged to do the same.

The recommendation addresses key issues for the functioning of the euro area and provides guidance on concrete actions for its implementation, which are reflected in country-specific recommendations where appropriate.

# RECOMMENDATIONS FOR THE EURO AREA, ACCOMPANIED BY A WORKING DOCUMENT (II)

They are published together with the annual growth survey to allow a better integration of the euro area and the national dimensions of the EU economic governance and thus strengthen the supervisory process. They are accompanied by a working document.

The Commission presents proposals for the budgetary stance for the euro area as a whole and, in 2016, established specific budgetary recommendations.

However, the Eurogroup has made it clear that while guidance can be provided, it is up to the Member States to decide what action to take, especially if the guidance is aimed at increasing national spending, noting that the use of fiscal space is up to them. countries.

# OPINION ON DRAFT BUDGET PLANS FOR EURO ZONE COUNTRIES

The PEC requires the opinion on the draft budget plan of each Member State of the euro zone.

In the case of the Member States covered by the preventive component of the Pact, the extent to which the Member States comply with the country-specific recommendations adopted for them by the Council is considered; and, in particular, its fulfilment of the medium-term objectives or the path of adjustment towards those objectives.

For Member States subject to the excessive deficit procedure (EDP), compliance with the EDP recommendation is a central aspect of the assessment.

If the Commission considers that a Member State's draft budget plan represents a particularly serious breach of its obligations under the SGP, it may request the submission of a revised draft.

According to the Commission, for the euro area Member States, this exercise complements the evaluation of the stability programs that takes place each spring but focuses on the concrete control of the budget for next year, rather than on fiscal plans. in the medium term.





# FROM DECEMBER TO JANUARY

**Activities during this period are set in the context of the fall package and in preparation for the winter package:**

- the European Commission holds bilateral meetings with Member States
- the European Parliament draws up a resolution on the annual growth survey
- the Council discusses the Commission's opinions on the draft budgetary plans of the Member States and adopts a recommendation on the economic policy of the euro area, as well as conclusions on the annual growth survey and the alert mechanism report



# FEBRUARY TO MARCH: THE WINTER PACKAGE: COUNTRY REPORTS AND IN-DEPTH REVIEWS (I)

- in February, the Commission publishes a communication on the assessment of progress in structural reforms, the prevention and correction of macroeconomic imbalances and the results of in-depth reviews
- the country reports of each member state accompany this communication and cover all areas of macroeconomic or social importance, taking stock of the budgetary situation of each country. Evaluate the progress made in addressing the issues identified in the specific recommendations from the previous year
- any country selected in the alert mechanism report is also addressed in its in-depth review

# FEBRUARY TO MARCH: THE WINTER PACKAGE: COUNTRY REPORTS AND IN-DEPTH REVIEWS (II)

- the reviews evaluate whether there are excessive imbalances or imbalances in the country, considering factors such as: sustainability of external accounts, savings and investment balances, effective exchange rates, export market shares, cost and non-cost competitiveness, productivity, private and public, debt, house prices, credit flows, financial systems and unemployment
- the reviews also take into account the size of the euro area and the potential impact as a whole
- where appropriate, based on this review, the Commission will propose an updated status for the country in the macroeconomic imbalance procedure

# THE EUROPEAN PARLIAMENT ADOPTS A RESOLUTION ON THE ANNUAL GROWTH SURVEY

- a resolution on the annual growth survey
- EP resolutions are not a formal part of the European Semester decision-making procedures
- in its latest resolution, Parliament focuses on three main areas:
  - quality investments in sustainable infrastructure projects that improve growth, in line with the UN Sustainable Development Goals, as well as skills, innovation, automation, digitization and R & D & i
  - productivity growth and inclusion
  - macroeconomic stability and sound public finances, through measures aimed at reducing Member State deficits and debt and improving compliance with stability and growth



# FROM MARCH TO APRIL: STABILITY AND CONVERGENCE PROGRAMS

In April:

- Member States submit to the Commission their national reform programs and their stability or convergence programs (three-year budget plans, the first for euro area countries and the second for other EU Member States)

The programs detail:

- the specific policies that each country will implement to boost employment and growth and prevent or correct imbalances
- your concrete plans to ensure compliance with outstanding fiscal regulations and recommendations specific to each country and, where applicable, the euro area





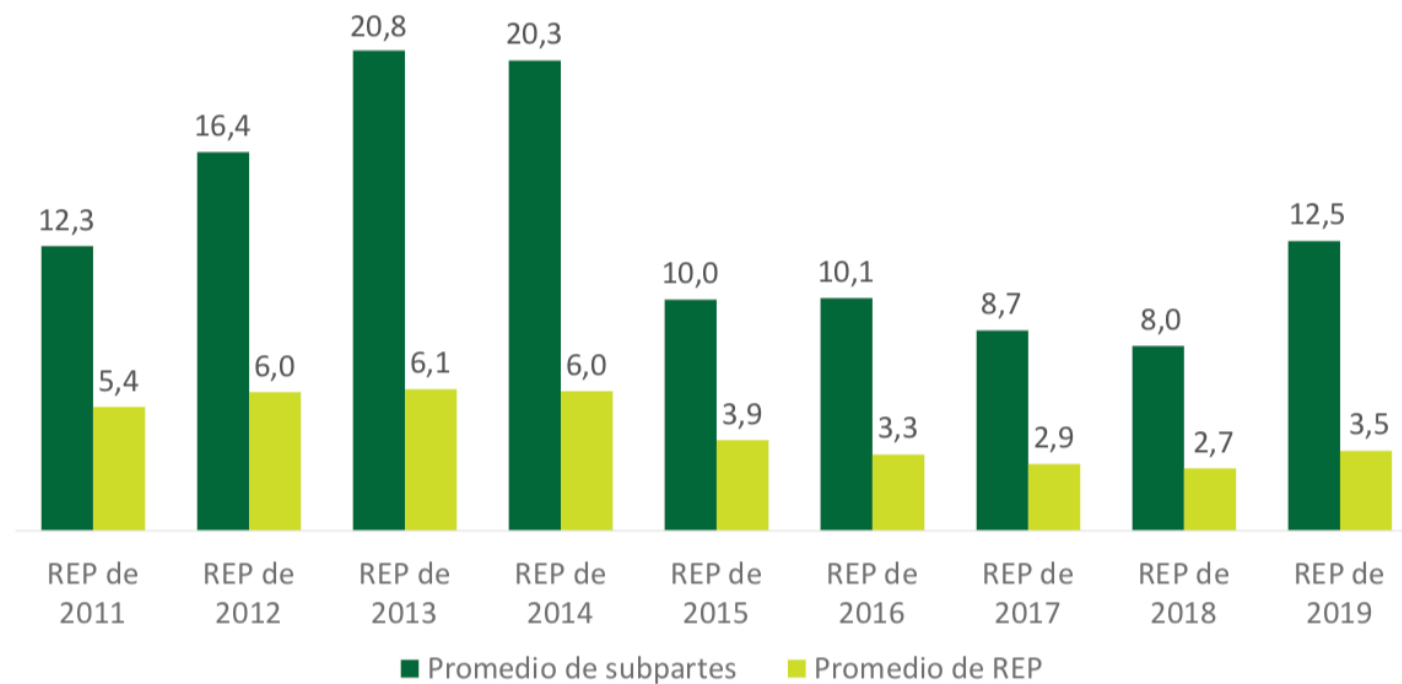
# FROM MAY TO JULY: THE SPECIFIC RECOMMENDATIONS OF EACH COUNTRY

- after assessing the plans of EU national governments, the Commission presents each country, except those under a macroeconomic assistance program, a set of country-specific recommendations, together with a general communication
- the recommendations cover a wide range of policy fields, including topics such as wage determination, education, and health care.
- they focus on what can realistically be accomplished over the next 12 to 18 months. In addition, they align the priorities identified at the EU level (in the Commission's annual growth survey) to the national level.
- in May, the Commission reports to the European Parliament's Committee on Economic and Monetary Affairs on the proposals for country-specific recommendations during an economic dialogue on the “spring package”. The recommendations are discussed among governments in the Council, which is not obliged to follow the Commission's suggestions, but can modify the recommendations before adopting them, after they are endorsed by EU leaders at a European Council summit in June and formally approved in July

# SUMMER: FROM THE EUROPEAN TO THE 'NATIONAL' SEMESTER

- Member State governments incorporate the recommendations into their reform plans and national budgets for the following year
- budgetary monitoring intensifies in autumn for euro area Member States → must submit draft budget plans for the following year to the Commission by 15 October
- the Commission then assesses the plans against the requirements of the Stability and Growth Pact and country-specific recommendations and issues an opinion on each of them in November, so that this guidance is taken into account when finalizing the national budgets
- subsequently, the euro area finance or economy ministers discuss the Commission's assessment of the draft budget plans in the Eurogroup and issue a statement thereon
- meanwhile, in October a debate on the European Semester is held in the European Parliament, traditionally followed by the adoption of a resolution, as well as a dialogue on the annual growth survey carried out in the corresponding committee and with the participation of representatives National Parliaments

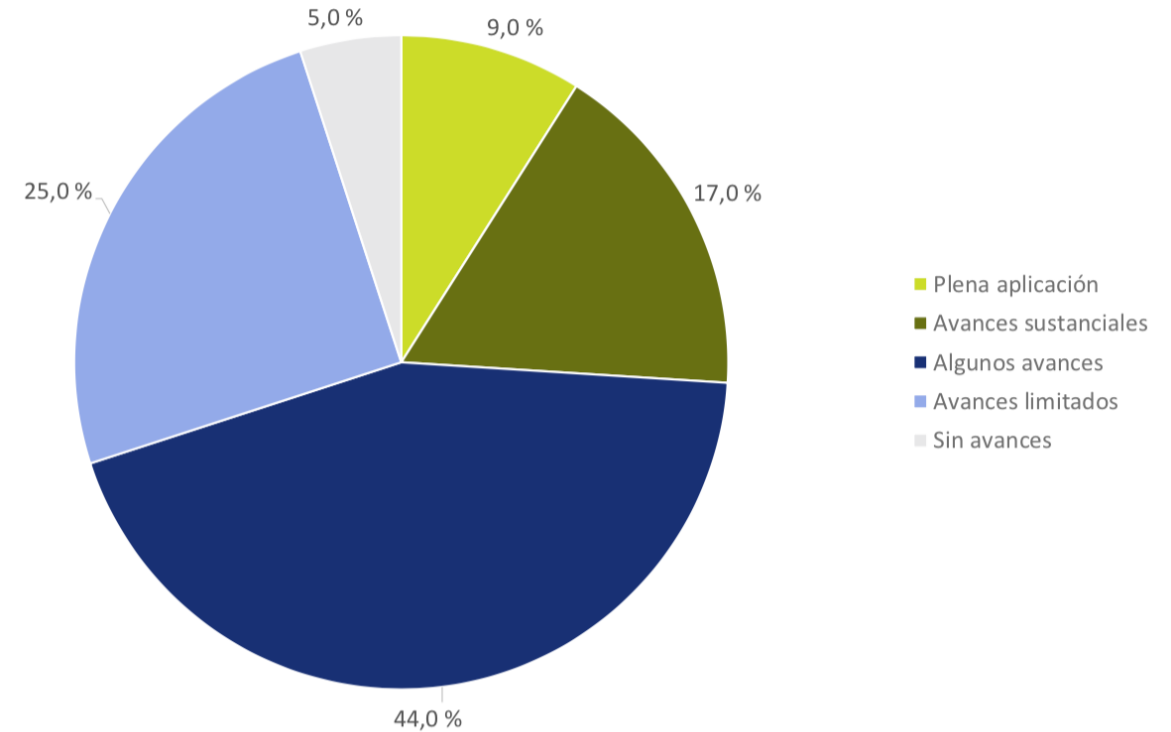
# AVERAGE OF REP AND ITS SUBPARTS BY MEMBER STATE, 2011-2019



Fuente: Tribunal de Cuentas Europeo, a partir de datos de CESAR.

# MULTI-YEAR EVALUATIONS OF THE IMPLEMENTATION STATUS OF THE REP

Evaluación plurianual global de las REP adoptadas entre 2011 y 2018



*Fuente:* Tribunal de Cuentas Europeo, Evaluación plurianual basada en la Comunicación de la Comisión «Semestre europeo 2019: recomendaciones específicas por país», COM(2019) 500 final de 5 de junio de 2019.

# HOW THE DEBATE AROUND THE SEMESTER COULD EVOLVE

The European Semester has been widely debated since its inception:

- the accountability and legitimacy of the mechanism
- the effectiveness of the European Semester
- issues related to country-specific recommendations
- the role of national parliaments
- the role of regions

This Jean Monnet Module has obtained co-financing from the European Union through the Erasmus + Program

Call for Proposals: 2020 – EAC-A02-2019-JMO

Reference: 620595-EPP-1-2020-1-ES-EPPJMO-MODULE



With the support of the  
Erasmus+ Programme  
of the European Union