INFORME SOBRE LA REUNION DE LA COMISIÓN DE ECONOMÍA Y ASUNTOS MONETARIOS DEL PARLAMENTO EUROPEO PARA CELEBRAR UN INTERCAMBIO DE PUNTOS DE VISTA CON LOS PARLAMENTOS NACIONALES SOBRE LA IMPLANTACIÓN DE RECOMENDACIONES DEL SEMESTRE EUROPEO, EL DÍA 17 DE SEPTIEMBRE, EN LA SEDE DEL PARLAMENTO EUROPEO EN BRUSELAS.

El 17 de septiembre de 2013 el Presidente de la Comisión de Economía y Competitividad del Congreso de los Diputados, D. Santiago Lanzuela Marina, acompañado por la Letrada de la misma, Doña Mónica Moreno Fernández-Santa Cruz y por la Representante de las Cortes Generales ante el Parlamento Europeo, Doña Carmen Sánchez-Abarca Gornals, acudió a la reunión de la Comisión de Economía y Asuntos Monetarios del Parlamento Europeo con el objeto de celebrar un intercambio de opiniones entre los parlamentos nacionales sobre la implantación de las recomendaciones del Semestre Europeo.

El Vicepresidente de la Comisión, D. Pablo Zalba, dio la palabra a la señora Ferreira, Ponente del Informe del Semestre Europeo para la coordinación de las políticas económicas y arranque de las prioridades de 2013. Esta señaló que actualmente los países miembros están presentando su borrador de Presupuestos, en el que deben contemplar las recomendaciones señaladas especialmente por la Comisión para cada uno de ellos. Se refirió a la necesidad de relanzar la economía real, pues sin crecimiento no podemos salir de la crisis de forma duradera. Se refirió a la recomendación de la Comisión de que los países excedentarios contribuyan al lanzamiento de los países con mayores dificultades para promover la demanda interna para que Europa funcione de manera eficaz. Este objetivo puede conseguirse, dijo, mediante inversiones y dando prioridad a las políticas contra el desempleo que alejan las cifras de pobreza y exclusión social en la Unión Europea. Por ello debe invertirse en desarrollo y educación para mejorar el nivel de competitividad de todos los países miembros. Hay que coordinar y avanzar en la unión económica y monetaria y llevar a cabo las reformas estructurales, con la flexibilidad que ofrece el *six pack* y el *two pack* a cada país miembro según sus circunstancias, ya que el ajuste fiscal debe contemplar la realidad de cada país.

Se refirió también a la importancia de la Unión Bancaria y el supervisor único en relación con los supervisores nacionales, así como al mecanismo de resolución bancaria, en garantía de salvar los intereses de los contribuyentes y reforzar el sistema bancario, la confianza y la lucha contra el fraude y los paraísos fiscales. No quiso dejar de mencionar la necesaria implicación de los parlamentos nacionales, la sociedad civil y los agentes sociales para progresar hacia una Unión Europea más democrática y transparente.

Seguidamente tuvo lugar un debate entre los parlamentarios nacionales y europeos al respecto.

El señor Caresche, de la Asamblea Nacional francesa, señaló que el diálogo ha sido fructífero y destacó dos temas: en primer lugar, el ritmo al que debe aplicarse el ajuste presupuestario, que en la primera versión de la Comisión Europea era demasiado duro y podía conllevar desajustes, por lo que agradeció la flexibilización de este ajuste, de primeras demasiado brusco. En segundo lugar, sobre las reformas estructurales, planteó el alcance y el nivel de intrusión de la Comisión Europea en las políticas nacionales, y la importancia de que los Parlamentos Nacionales se impliquen en la materia comunitaria.

La señora Magyar, en nombre de la Asamblea Nacional húngara, señaló la necesidad de una cooperación mayor entre la Comisión Europea y los estados miembros manifestando que, en su opinión, las recomendaciones específicas por país deberían llegar antes, debiendo ser además estas recomendaciones más flexibles en función de los países destinatarios.

El Ponente en la sombra del informe, el señor Gauzés, miembro del Comité de Economía y Asuntos Monetarios del Parlamento Europeo, recordó el momento en que pueden cuestionarse las recomendaciones de la Unión Europea, que ha de ser en todo caso anterior a su emisión definitiva, para que las medidas funcionen apropiadamente. Además hay que aclarar el papel de la Comisión y los estados miembros para no confundir a los ciudadanos, de lo contrario una coordinación económica eficaz será imposible.

El señor Lynch, Presidente del Comité de coordinación de Finanzas, Gasto Público y Reformas de la Cámara de Representantes de Irlanda, señaló que han recibido 85.000 millones de euros del programa de la Unión Europea. Actualmente Irlanda está saliendo exitosamente de la crisis, pero es importante pasar de la austeridad a la prosperidad, hay que apoyar la inversión. En breve se celebrarán reuniones sobre el artículo 13 del Tratado y habrá que ver cómo ha incidido este en el presupuesto. Es fundamental que los parlamentos nacionales intervengan más para controlar a sus gobiernos y ganar en democratización.

Seguidamente intervino el señor Lanzuela, que señaló que si bien hace 13 meses en España la prima de riesgo superaba los 600 puntos básicos, ahora está en 244 y esto significa muchas cosas. El Gobierno español ha seguido muy especialmente las recomendaciones de la Comisión Europea y ha revisado la política económica corrigiendo los desequilibrios macroeconómicos que España padecía, se han consolidado las finanzas públicas españolas, se ha recapitalizado y reestructurado el sector bancario, alejando dudas sobre el mismo y abordando el camino al crédito a las pymes y también diferentes reformas estructurales que han conducido a incrementar la competitividad, mejorar las exportaciones y la balanza comercial. España seguirá trabajando sobre las recomendaciones y el gran reto que es la Unión Bancaria y una Unión Fiscal.

Tras estas intervenciones, la señora Ferreira, Ponente del Informe del Semestre Europeo para la coordinación de las políticas económicas y arranque de las prioridades de 2013, agradeció las aportaciones de todos los intervinientes e insistió en la necesidad de mejorar el procedimiento de coordinación económica y de mentalizar a los estados miembros de que lo que hagan repercute en el resto de los países, por lo que es importante reforzar la implicación de los parlamentos nacionales y la legitimidad democrática en el ámbito de la Unión.

El Vicepresidente de la Comisión, señor Pablo Zalba, comunicó que la fecha de votación del informe de la señora Ferreira será el 30 de septiembre y, tras agradecer todas las aportaciones

Congreso de los Diputados

nacionales anunció que la siguiente reunión tendría lugar en enero de 2014 para analizar el índice anual de crecimiento.

A las 16.30 se suspendió la reunión.

Se acompaña a este informe listado de asistentes y documentación de la reunión.

Palacio del Congreso de los Diputados, a 3 de octubre de 2013.

La Letrada de la Comisión de Economía y Competitividad.

Directorate-General for the Presidency
Relations with National Parliaments
Legislative Dialogue Unit

Committee on Economic and Monetary Affairs

ECON Committee exchange of views with National Parliaments

The 2013 cycle of the European Semester

List of Participants National Parliaments

17 September 2013
Room PHS 3C050

15h00-16h30

European Parliament
Brussels

closed on 12 September 2013

BELGIQUE/BELGIE (Belgium)

CHAMBRE DES REPRESENTANTS/ KAMER VAN VOLKSVERTEGENWOORDIGERS

Members:

Mr Georges GILKINET

Chair, Committee on Finance and Budget
Ecolo - Greens/EFA

Mr Herman DE CROO

Vice-Chair, Committee on European Affairs
Open Vld - ALDE

Officials:

Mr Tom DE GEETER
Clerk, Committee on Finance and Budget

EIRE-IRELAND

DÁIL ÉIREANN (House of Representatives)

Members:

Mr Ciarán LYNCH

Chair, Joint Committee on Finance, Public Expenditure and Reform
Labour - S&D

Officials:

Mr Derek DIGNAM
National Parliament Representative

ESPAÑA (Spain)

CONGRESO DE LOS DIPUTADOS

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Chair, Committee on Economics and Competitiveness
G.P. Popular - EPP

Officials:

Ms Mónica MORENO
Legal Advisor, Committee on Economics and Competitiveness

Ms Carmen SÁNCHEZ-ABARCA GORNALS
National Parliament Representative

FRANCE

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Committee on European Affairs
Groupe Socialiste, Républicain et Citoyen (SRC) - S&D

Officials:

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LATVIJA (Latvia)

SAEIMA

Members:

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Reform Party Parliamentary Group - Non-attached (NI)

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LIETUVA (Lithuania)

SEIMAS

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Order and Justice Political Group - EFD

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Labour party Political group - ALDE

Officials:

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Adviser, Committee on Budget and Finance

Ms Rasa Ona DUBURAITĖ
Adviser, Committee on Economics

Ms Živilė PAVILONYTĖ
National Parliament Representative

LUXEMBOURG

CHAMBRE DES DEPUTES

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Vice-Chair, Committee on Budget and Finance
LSAP- S&D

Officials:

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Members:

Ms Anna MAGYAR

Committee on Audit Office and Budget
FIDESZ - EPP

Officials:

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National Parliament Representative

ÖSTERREICH (Austria)

NATIONALRAT

Members:

Mr Kai Jan KRAINER

Vice-Chair, Committee on Finance
Social Democrats - S&D

PORTUGAL

ASSEMBLEIA DA REPÚBLICA

Members:

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Socialist Party - S&D

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Chair, Committee on Social Security and Labour
Social Democratic Party - EPP

Mr Nuno Filipe MATIAS

Committee on European Affairs
Social Democratic Party - EPP

Officials:

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Mr Bruno DIAS PINHEIRO
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ROMÂNIA (Romania)

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Members:

Ms Aurelia CRISTEA

Committee on Budget, Finance and Banks
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SLOVENIJA (Slovenia)

DRŽAVNI ZBOR (National Assembly)

Members:

Mr Matevž FRANGEŽ

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Social Democrats Deputy Group - S&D

Ms Aleksandra OSTERMAN

Vice-Chair, Committee on EU Affairs
Positive Slovenia Deputy Group

Officials:

Ms Romana NOVAK
National Parliament Representative

Officials
(of Parliaments or Chambers not having a political delegation at the present meeting)

DEUTSCHLAND (Germany)
BUNDESTAG

Mr Mark STANITZKI
Official of a national political group (FDP)
Bundestag Liaison Office in Brussels

Ms Vesna POPOVIC
National Parliament Representative

EESTI (Estonia)
RIIGIKOGU

Ms Malle KUULER
National Parliament Representative

HRVATSKA (Croatia)
HRVATSKI SABOR

Ms Tanja BABIC
National Parliament Representative

ΚΥΠΡΟΣ (Cyprus)
ΒΟΥΛΗ ΤΩΝ ΑΝΤΙΠΡΟΣΩΠΩΝ (House of Representatives)

Ms Mary SAVA
National Parliament Representative

POLSKA (Poland)
SENAT

Ms Magdalena SKULIMOWSKA
National Parliament Representative

ROMÂNIA (Romania)
SENAT

Ms Izabella MOLDOVAN
National Parliament Representative

ЕВРОПЕЙСКИ ПАРЛАМЕНТ PARLAMENTO EUROPEO EVROPSKÝ PARLAMENT EUROPA-PARLAMENTET
EUROPÄISCHES PARLAMENT EUROOPA PARLAMENT ΕΥΡΩΠΑΪΚΟ ΚΟΙΝΟΒΟΥΛΙΟ EUROPEAN PARLIAMENT
PARLEMENT EUROPÉEN PARLAIMINT NA hEORPA PARLAMENTO EUROPEO EIROPAS PARLAMENTS
EUROPOS PARLAMENTAS EURÓPAI PARLAMENT IL-PARLAMENT EWROPEW EUROPEES PARLEMENT
PARLAMENT EUROPEJSKI PARLAMENTO EUROPEU PARLAMENTUL EUROPEAN
EURÓPSKY PARLAMENT EVROPSKI PARLAMENT EUROOPAN PARLAMENTTI EUROPAPARLAMENTET

Directorate-General for the Presidency
Directorate for relations with National Parliaments

Committee on Economic and Monetary Affairs

ECON Committee exchange of views with National Parliaments

on

The 2013 cycle of the European Semester

17 September 2013
Room PHS 3C050

15h00-16h30

European Parliament
Brussels

PRACTICAL INFORMATION A-Z

Arrival and Distribution of Access Cards

The reception area for this meeting is located in the entrance zone of the Altiero Spinelli (ASP) building, **Place du Luxembourg, Espace Simone Veil entrance on the Esplanade de la Solidarité (side Luxembourg station).**

Tuesday 17 September 2013, 14h00-15h30

Alternatively, the Brussels-based representatives of the national Parliaments may collect the access cards for their delegations from the Directorate for Relations with National Parliaments (Rue Wiertz 50 building, 5th floor, office 05 U020) on Tuesday, 17 September 2013 from 10h00 to 12h00.

Cloakroom

Coats may be left (unguarded) on coat racks outside the meeting room. The European Parliament declines responsibility for the loss or theft of items.

EUROPEAN PARLIAMENT

COMMITTEE ON ECONOMIC AND MONETARY AFFAIRS

ECON Committee Exchange of Views with National Parliaments

-

The 2013 cycle of the European Semester

Tuesday, 17 September 15:00 - 16:30

Suggested topics to frame the discussion

- Have you established national best practises to be as closely as possible involved in the adoption of the recommendations and their implementation? How could the political ownership of these recommendations be increased at the national level?

- Following the adoption by the Council of the country-specific recommendations, do you expect your government to unveil new budgetary measures and / or new structural reforms in the new draft budget law?

- Do you consider that the country-specific recommendations provide the right economic orientations for your country and your main economic partners in the EU? Do you address potential spill-over effects in the currency union?

Committee on Economic and Monetary Affairs
The Chairwoman

To the Chairpersons of the concerned Committees

Dear Chairperson,

Dear colleague,

The Economic and Monetary Affairs Committee (ECON) of the European Parliament will discuss at its meeting of 17 September 2013 (15:00 - 18:30) the draft report on European Semester for economic policy coordination: implementation of 2012 priorities (Rapporteur: Ms. Elisa Ferreira).

At this occasion, the committee will debate on the assessment of the 2013 European Semester as well as on the priorities for the 2014 Annual Growth Survey, which will be the basis for next year's Semester. Furthermore, the Council of the Union will adopt in July Country-Specific Recommendations, which directly concern your country. With this in mind, and building on the success of last year's similar event, the ECON Committee would like to invite National Parliaments to attend ECON Committee meeting of 17 September 2013at which a discussion on this topic will take place.

Both the European Parliament and national parliaments have complementary roles to play within the framework of the European Semester. The European Parliament needs to ensure the democratic dimension of the European Semester with regard to the European Institutions: the European Commission, the Council and the European Council. National parliaments have to ensure the democratic dimension towards their national governments. A dialogue between these two complementary actors (national parliaments - European Parliament) is useful and necessary so that they become aware of their complementarities and exchange information and ideas on the ongoing process. Both the European Parliament and national parliaments need to ensure that parliamentary control is appropriately exercised at all stages.

Due to the high importance of the subject matter, we would welcome your personal attendance to express your committee's views on the Country-Specific Recommendations that will be addressed to your country by the Council of the Union and to comment on the draft report on the European Semester. You will find attached some questions that could frame the discussion on Country-Specific Recommendations.

The draft agenda, supporting documents and online registration form will be forwarded to the Brussels representative of your Parliament Chamber in due course by the Directorate for relations with national Parliaments. For further information on the meeting itself, please contact Mr. Samuel de Lemos (samuel.delemos@europarl.europa.eu) of the ECON Committee Secretariat.

I hope that you will accept this invitation and look forward to welcoming you in the European Parliament.

With best regards,

Sharon Bowles

DG INTERNAL POLICIES
DIRECTORATE FOR ECONOMIC &
SCIENTIFIC POLICIES
Economic Governance Support Unit

DIRECTORATE GENERAL FOR INTERNAL POLICIES

ECONOMIC GOVERNANCE SUPPORT UNIT

The European Dimension in the National Reform Programmes and the Stability and Convergence Programmes

Abstract

This briefing analyses some information presented by Member States in the National Reform Programmes and Stability and Convergence Programmes that were submitted to the EU in the framework of the 2013 European Semester.

Based on a methodological framework developed to summarise specific aspects of these programmes in a coherent way, the paper first examines the macroeconomic forecasts used by national governments, and compares them to the European Commission Spring 2013 forecasts. It then analyses whether national governments sought the involvement of national parliaments and social partners in the design of the programmes. Finally, it appraises the progress made with the implementation of the 2012 Country Specific Recommendations (CSRs), as reported in the 2013 national programmes. This appraisal of the status of implementation is based on a detailed classification of the CSRs by policy domain (fiscal policy, labour market, social policy, market policy, environment, and financial markets).

The main highlights of this study are:

a) Governments and the European Commission have sometimes different forecasts on key macroeconomic variables. In many cases Member States' forecasts are more optimistic as regards economic growth.
b) The extent of involvement of National Parliaments and social partners varies strongly across countries.
c) In general, progress with the implementation of the CSRs has been substantial. About one third of the detailed recommendations have been implemented and another third has at least been partially addressed. However, discrepancies can be observed among Member States: many governments have partially or fully implemented nearly all the requested measures, while some others have implemented less than half of them.

egov@ep.europa.eu 16 September 2013

This document was requested by the European Parliament's Committee on Economic and Monetary Affairs.

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DISCLAIMER

The opinions expressed in this document are the sole responsibility of the authors and do not necessarily represent the official position of the European Parliament.

INTRODUCTION

The aim of this briefing is to examine if and how the European dimension was taken into account by the national governments when the main economic policy decisions were planned and presented by national governments in the Stability and Convergence Programmes (SCPs) and the National Reform Programmes (NRPs), submitted to the EU in April 2013 in the context of the European Semester.[1] The SCPs and NRPs contain information on the economic outlook, the situation of public finances, the policies that are being pursued to implement EU commitments and other actions to achieve the EU2020 targets.

This paper focuses on three specific aspects of the programmes:

a) the forecasts of five main macroeconomic indicators (the budget deficit, the structural budget deficit, the debt-to-GDP ratio, the year-on-year real economic growth rate and the unemployment rate);
b) the involvement of national parliaments and social partners in the design of the programmes;
c) the implementation of the 2012 Country Specific Recommendations (CSRs), as presented in the 2013 NRPs and SCPs.

The information available in the SCPs and NRPs was analysed in detail, and presented by synthetic measures. It needs to be underlined that this analysis is based exclusively on the information presented in the programmes, and that the assessment of the implementation of CSRs is made according to a synthetic classification.

The main highlights of this study are as follows:

a) Governments and the European Commission sometimes have different forecasts on key macroeconomic variables. These differences reveal a more optimistic view by governments on economic growth in the short term, and on potential output growth and the (structural) fiscal balance in the longer term.
b) The extent of involvement of the parliament and of the social partners varies widely across Member States. Parliaments are involved in the discussions on the SCP in many EU countries, as required by budgeting procedures, but much less on the NRP. Social partners are often consulted on the NRP, but less on the SCP.
c) Progress on the implementation of the CSRs has been substantial. According to our classification, about one third of the detailed recommendations have been implemented and another third have at least been partially addressed. The final third is either a promise to start action in the future, or is not followed up at all. However, there are discrepancies between Member States: many governments have partially or fully implemented nearly all requested measures, while some have implemented less than half of them.

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[1] The final date for submission of the SCP and NRP was April 30th, although some countries submitted the programmes in the weeks after this date, due to parliamentary procedures or translation into English.

This briefing is structured as follows. Sections 1 to 3 cover the three main aspects of the analysis: 1) a comparison of forecasts; 2) the involvement of national parliaments and social partners; and 3) the implementation of the 2012 CSRs. Each section describes the applied methodology and discusses its scope, and then presents the main results. In the final section, we draw some conclusions and present some proposals for future work.

1. Macroeconomic forecasts

a. Methodology

Governments are required to provide forecasts for a set of macroeconomic indicators used in the SCP and NRP. This section focuses on the five indicators that are of major importance for the projections underlying the economic and budgetary outlook that governments present in their programmes: the budget deficit-to-GDP ratio, the structural budget deficit (to potential GDP ratio), the debt-to-GDP ratio, the year-on-year real economic growth rate and the unemployment rate. Forecasts were made for the current (2013) and the next year (2014).

We compared these national forecasts to the spring 2013 European Commission (COM) forecast. Both national forecasts and the COM forecasts were released in spring 2013: the SCP and NRP were published at the end of April 2013, and the COM spring forecast on the 3rd of May 2013. The simultaneous release allows a comparison of the forecasts, as the sets of information underlying the forecasts were very similar.

The SCP/NRP forecasts were classified as **"more optimistic"** than the COM forecasts if the SCP/NRP forecasts foresee a lower budget deficit, a lower structural budget deficit, a lower debt to GDP ratio, a lower unemployment rate, or higher economic growth than forecast by the COM. We assessed the degree of optimism in forecasts, and tested for the significance of the differences between national and COM forecasts with a standard t-test. The main aim of this exercise was a comparison of the national forecasts to the COM forecast, not an evaluation of the forecast performance, as the forecasting accuracy can be assessed only when actual data for the indicators will become available in early 2014 or 2015.[2]

As the underlying information sets for the forecasts were similar, the most important differences between national and COM forecasts must be related to different views on the expected effectiveness of policy measures, or different assumptions on the underlying economic relationships. For example, the effect on the budget deficit of a specific budgetary measure/reform may be assessed differently by the COM and by the government of the concerned Member State. Furthermore, the government and the COM may also hold different assumptions on the extent of spillovers of policy measures among Member States and its trading partners.

[2] For studies that evaluate the forecast performance of COM forecasts see Gonzalez Cabanillas and Terzi (2012).

Even if there are differences in the assumptions or the proposed effects of policies, the forecasts provided by the national governments should satisfy basic macroeconomic identities or constraints, and at least be internally consistent. I.e., given a similar set of information on the economic scenarios underlying the forecasts:

- if a government is more pessimistic on the public deficit, then it should be more pessimistic on the evolution of government debt, *ceteris paribus.* Higher deficits accumulate in higher debt, unless extraordinary measures are taken;

- if a government is more optimistic on economic growth, then it should be more optimistic on the nominal deficit, *ceteris paribus,* as higher growth generates more tax revenues;

- if a government is more optimistic about the evolution of unemployment, it should be more optimistic on economic growth, *ceteris paribus.* We expect from the Okun relation between unemployment and economic growth that lower unemployment figures are associated with higher growth.[3]

We checked the internal consistency of the national forecasts, and propose an explanation for the observed differences.

b. Results

We focussed the analysis on the forecast presented in the SCPs. The reason is that national governments have presented their macroeconomic forecasts mainly in the SCP.[4] As it can be seen in Tables 1a and 1b below, there are few – if any – references to macroeconomic forecasts in the NRP. In the few cases where forecasts were presented in both SCPs and NRPs, they are mostly similar. Nevertheless, there are some exceptions. The 2013 SCP forecasts of the nominal deficit in Slovakia, the structural deficit in Hungary, GDP growth in Ireland and the unemployment rate in Ireland, Romania and Slovakia do not correspond to the NRP forecasts. For the 2014 forecasts, we observe discrepancies between the SCP and the NRP as regards the structural deficit of Hungary, growth in Ireland and unemployment in Ireland and Romania. These differences are generally small, but still relevant. Such inconsistencies among SCPs and NRPs might be due to the fact that different ministries prepare the different programmes, without relying on a unique benchmark.

[3] Okun's law describes the elasticity of real GDP growth with respect to the unemployment rate. As a rule of thumb in OECD economies, this elasticity is typically around -2, i.e. a one percentage point increase in the unemployment rate is associated with a fall in real GDP of two percentage points.

[4] Many governments have submitted the SCP in a rather standardized format. The tables containing the macroeconomic forecasts follow a similar structure, with the only exception of the UK.

Table 1a - Comparison of forecasts by national governments in the SCP and NRP for the current year 2013 forecast

country	SCP					NRP				
	deficit	structural deficit	debt	growth	unemployment rate	deficit	structural deficit	debt	growth	unemployment rate
Belgium	-2.5	-1.8	100	0.2	7.5	.	.	.	0.2	7.5
Bulgaria	-1.3	-0.8	17.9	1	13	.	.	.	1	13
Czech Republic	-2.8	-1.8	48.5	0	7.6	.	.	.	.	.
Denmark	-1.6	-0.2	44	0.7	7.6	-1.6	-0.2	.	.	.
Germany	-0.5	0	80.5	0.4	[illegible]	.	.	.	0.4	.
Estonia	-0.5	0.3	10.2	3	9.1	.	0.3	.	3	0
Ireland	-7.5	-6.9	120.3	[redacted]	[redacted]	.	.	.	[redacted]	[redacted]
Spain	-6.3	-2.3	91.4	-1.3	27.1	.	.	.	-1.3	.
France	-3.7	-2	93.6	0.1	.	.	.	.	.	.
Italy	-2.9	0	130.4	-1.3	11.6	.	.	.	-1.3	11.6
Latvia	-1.1	-1.1	44.5	4	[illegible]	.	.	.	4	12.6
Lithuania	.	-1.9	39.7	3	[illegible]	.	.	.	.	.
Luxembourg	-0.7	0.7	23.8	1	5.9	.	.	.	1	.
Hungary	-2.7	[redacted]	78.1	0.7	[illegible]	-2.7	[redacted]	.	0.7	10.7
Malta	-2.7	-2.7	[illegible]	1.4	6.6	-2.7	.	.	1.4	6.6
Netherlands	-3.4	-1.5	[illegible]	[illegible]	[illegible]	.	.	.	-0.4	6.3
Austria	-2.3	-1.9	[illegible]	[illegible]	[illegible]	.	.	.	.	.
Poland	-3.5	-2.4	[illegible]	[illegible]	[illegible]	.	.	.	1.5	10.8
Portugal	-5.5	-3.6	122.3	[illegible]	[illegible]					
Romania	-2.4	[illegible]	[illegible]	1.6	[redacted]	-2.4	-1.5	38.6	1.6	[redacted]
Slovenia	-7.9	[illegible]	[illegible]	[illegible]	10	.	.	.	-1.9	10
Slovakia	[redacted]	-3.3	[illegible]	[illegible]	[redacted]	[redacted]	.	.	1.2	[redacted]
Finland	-1.9	[illegible]	56.3	[illegible]	8.2	-1.9	-0.6	.	.	8.2
Sweden	-1.4	[illegible]	42.0	1.2	8.3	.	.	.	1.2	8.3
UK	-6.8	-4.4	94.9	0.6	7.9	.	.	.	0.6	7.9

Notes: MS: Greece and Cyprus did not submit a SCP.

Table 1b - Comparison of forecasts by national governments in the SCP and NRP for the year-ahead 2014 forecast

country	SCP					NRP				
	deficit	structural deficit	debt	growth	unemployment	deficit	structural deficit	debt	growth	unemployment
Belgium	-2	-1.2	99	1.5	7.6	.	.	.	1.5	7.6
Bulgaria	-1.3	-0.8	20.4	1.8	12.8	.	.	.	1.8	12.8
Czech Republic	-2.9	-1.8	50.3	1.2	7.7	.	.	.	.	.
Denmark	-1.7	-0.3	42.4	1.6	7.3	-1.7	-0.3	.	.	.
Germany	0	0.5	77.5	1.6	5.1	.	.	.	1.6	.
Estonia	0	0.7	9.9	3.6	[illegible]	.	.	.	3.6	.
Ireland	-4.8	-5	119.5	[redacted]	[redacted]	.	.	.	[redacted]	[redacted]
Spain	-5.5	-1.7	96.2	0.5	26.7	.	.	.	0.5	.
France	-2.9	-1	94.3	1.2	.	.	.	.	.	.
Italy	-1.8	0.3	129	1.3	11.8	.	.	.	1.3	11.8
Latvia	-0.9	-1	41	4	11.3	.	.	.	4	11.3
Lithuania	.	-1.2	41.2	3.4	[illegible]	.	.	.	.	.
Luxembourg	-0.6	0.6	25.9	2.2	6.1	.	.	.	2.2	.
Hungary	-2.7	[redacted]	77.2	1.9	10.5	[illegible]	[redacted]	.	1.9	10.5
Malta	-2.1	-2.2	74.2	1.6	6.4	-2.1	.	.	1.6	6.4
Netherlands	-3	-1.4	75	[illegible]	6.4	.	.	.	1.1	6.4
Austria	-1.5	-1.3	[illegible]	[illegible]	[illegible]	.	.	.	.	.
Poland	-3.3	-2.0	55.7	2.5	[illegible]	.	.	.	2.5	11
Portugal	-4	-2.1	123.7	[illegible]	18.5	.	.	.	0.6	18.5
Romania	-2	-1	38.5	2.2	[redacted]	-2	-1	38.5	2.2	[redacted]
Slovenia	-2.6	-0.7	[illegible]	[illegible]	10	.	.	.	0.2	10
Slovakia	-2.6	[illegible]	56.3	[illegible]	13.8	.	.	.	.	.
Finland	-1.3	[illegible]	57.3	1.6	8.1	-1.3	-0.4	.	.	.
Sweden	-0.9	0.9	41.8	2.2	8.4	.	.	.	2.2	8.4
UK	-6	-3.4	98.6	1.8	8	.	.	.	1.8	8

Notes: MS: Greece and Cyprus did not sub[illegible] a SCP.

Tables 2a and 2b below show the SCPs and COM forecasts for 2013 and 2014 respectively, together with the differences between them. For ease of comparison, the cells showing more optimistic (*pessimistic*) national forecast relative to the COM forecast are coloured in pink (*black*).

As regards the forecasts for 2013, we did not detect a significant bias towards optimism or pessimism (Table 2a). Nonetheless, national governments are generally more optimistic than the COM on **economic growth**. Only in 2 Member States (Sweden and Lithuania) growth is expected to be lower than the COM forecast. In 8 Member States growth is predicted to be identical, but in 15 Member States, governments expect growth to be higher. The size of these differences varies, and can often be considered as marginal. Only in Ireland economic growth is expected to be much higher (more than 1 percentage point) than the COM forecast.

There is also a widespread **optimism about the structural deficit:** only the Czech Republic, Germany, Denmark, Slovakia, Finland and Austria forecast higher structural deficits than the COM, yet 14 other countries are more optimistic. These differences can be very large (as in the case of Spain). The structural deficit is the budget balance net of the cyclical component and one-off measures. Its forecast thus requires assumptions on the size of the output gap (the difference between actual and potential output growth) and on the strength of the automatic stabilizers, i.e. the reaction of government spending and revenues to cyclical developments. Deviations between the COM and national forecasts can be caused by different assumptions on the cyclicality of the budget variables, and/or by different estimates of potential output growth. Optimism on the structural deficit is likely coming from the latter difference. In 2010 the COM revised its methodology for the estimation of potential output (D'Auria et al., 2010). This new method resulted in less volatile measures of potential output, and implies that growth perspectives will be subdued for a longer time after the financial and economic crisis (D'Auria et al., 2010). If national forecasts by the governments are produced with other methodologies, potential output growth is likely to be evaluated more positively, and the economic rebound would be faster. A positive assessment of potential growth would result in optimism about the structural deficit, and also explains the optimism on economic growth.

If we consider all five indicators jointly for the same country, we note that 4 Member States (Belgium, France, the Netherlands and Poland) are more optimistic than the COM on all five indicators.

Table 2a also provides information on the internal consistency of the forecasts for 2013. A first finding is that **government predictions are not entirely consistent on the relationship between deficits and debt**. In Germany, Estonia and Austria the deficit is projected to be higher than predicted by the COM, but debt is projected not to rise as much as in the COM forecast. The opposite observation – an optimistic deficit forecast, but a pessimistic debt forecast – is marginally important for Spain, Czech Republic, and Malta, and quite substantial for Latvia. For other countries, the views on deficit and debt evolution are consistent.

Table 2a - Comparison of national SCP and COM forecasts for 2013

2013	deficit			structural deficit			debt			growth			unemployment		
	MS	COM	Δ	MS	COM	Δ	MS	COM	Δ	MS	COM	Δ	MS	COM	Δ
Belgium	-2.5	-2.9	[illegible]	-1.8	-2.3	[illegible]	100	101.4	[illegible]	0.2	0	[illegible]	7.5	8	[illegible]
Bulgaria	-1.3	-1.3	0	-0.8	-0.8	0	17.9	17.9	0	1	0.9	[illegible]	13	12.5	0.5
Czech Republic	-2.8	-2.9	[illegible]	-1.8	-1.6	-0.2	48.5	48.3	0.2	[illegible]	-0.4	[illegible]	7.6	7.5	0.1
Denmark	-1.6	-1.7	[illegible]	-0.2	0	-0.2	44	[illegible]	[illegible]	[illegible]	0.7	0	7.6	7.7	[illegible]
Germany	-0.5	-0.2	-0.3	0	0.4	-0.4	80.5	81.1	[illegible]	0.4	0.4	0	5.4	5.4	0
Estonia	-0.5	-0.3	-0.2	0.3	-0.2	[illegible]	10.2	10.2	0	3	[illegible]	0	9.1	9.7	[illegible]
Ireland	-7.5	-7.5	0	-6.9	-6.9	0	120.3	[illegible]	[illegible]	2.2	[illegible]	[illegible]	13.6	14.2	[illegible]
Spain	-6.3	-6.5	[illegible]	-2.3	-4.4	[illegible]	91.4	[illegible]	0.1	-1.3	-1.5	[illegible]	27.1	27	0.1
France	-3.7	-3.9	[illegible]	-2	-2.2	[illegible]	93.6	94	[illegible]	0.1	-0.1	[illegible]	.	10.6	.
Italy	-2.9	-2.9	0	-0.0	-0.5	[illegible]	130.4	131.4	[illegible]	-1.3	-1.3	0	11.6	11.8	[illegible]
Latvia	-1.1	-1.2	[illegible]	-1.1	-1.4	[illegible]	[illegible]	43.2	1.3	4	3.8	[illegible]	12.6	13.7	[illegible]
Lithuania	.	-2.9		-1.9	-2.8	[illegible]	39.7	[illegible]	[illegible]	3	3.1	-0.1	11.5	11.8	[illegible]
Luxembourg	-0.7	-0.2	-0.5	0.7	0.7	0	[illegible]	[illegible]	0.4	1	0.8	[illegible]	5.9	5.5	0.4
Hungary	-2.7	-3	[illegible]	-1.1	[illegible]	0	78	79.7	[illegible]	0.7	0.2	[illegible]	10.7	11.4	[illegible]
Malta	-2.7	-3.7	[illegible]	-2.7	-3.8	[illegible]	74.2	73.9	0.3	1.4	1.4	0	6.6	6.3	0.3
Netherlands	-3.4	-3.6	[illegible]	[illegible]	-2.0	[illegible]	74	74.6	[illegible]	-0.4	-0.8	[illegible]	6.3	6.9	[illegible]
Austria	-2.3	-2.2	-0.1	-1.9	[illegible]	-0.3	73.6	73.8	[illegible]	1	0.6	[illegible]	4.8	4.7	0.1
Poland	-3.5	-3.9	[illegible]	-2.4	[illegible]	[illegible]	55.8	57.5	[illegible]	1.5	1.1	[illegible]	10.8	10.9	[illegible]
Portugal	-5.5	-5.5	0	[illegible]	-3.6	0	[illegible]	123	[illegible]	-2.3	-2.3	0	18.2	18.2	0
Romania	-2.4	-2.6	[illegible]	-1.5	-1.7	[illegible]	38.6	38.6	0	1.6	1.6	0	6.9	6.9	0
Slovenia	-7.9	-5.3	-2.6	-1.8	[illegible]	[illegible]	63.2	61	2.2	-1.9	-2	[illegible]	10	10	0
Slovakia	-2.9	-3	-0.1	-3.3	[illegible]	-0.3	54.8	54.6	0.2	1.2	1	[illegible]	14.3	14.5	[illegible]
Finland	-1.9	-1.8	-0.1	-0.7	[illegible]	-0.1	56.3	56.2	0.1	0.4	0.3	[illegible]	8.2	8.1	0.1
Sweden	-1.4	-1.1	-0.3	[illegible]	[illegible]	[illegible]	42	40.7	1.3	1.2	1.5	-0.3	8.3	8.3	0
UK	-6.8	-6.8	0	[illegible]	[illegible]	[illegible]	94.9	95.5	[illegible]	0.6	0.6	0	7.9	8	[illegible]

Notes: MS: Member State government forecast as included in SCP; COM: COM Spring 2013 forecast;
Pink /Black indicates that the MS is more/less optimistic than the COM forecast. Greece and Cyprus did not submit a SCP.

Table 2b - Comparison of national SCP and COM forecasts for 2014

	deficit			structural deficit			debt			growth			unemployment		
	MS	EC	Δ	MS	EC	Δ*	MS	EC	Δ	MS	EC	Δ	MS	EC	Δ
Belgium	-2	-3.1	[illegible]	-1.2	-2.3	[illegible]	99	102.1	[illegible]	1.5	1.2	[illegible]	7.6	8	[illegible]
Bulgaria	-1.3	-1.3	0	-0.8	-0.9	[illegible]	20.4	20.3	0.1	1.8	1.7	[illegible]	12.8	12.4	0.4
Czech Republic	-2.9	-3	[illegible]	-1.8	-2.1	[illegible]	50.3	50.1	0.2	[illegible]	1.6	-0.4	7.7	7.4	0.3
Denmark	-1.7	-2.7	[illegible]	-0.3	-0.3	0	42.4	[illegible]	[illegible]	[illegible]	1.7	-0.1	7.3	7.6	[illegible]
Germany	0	0	0	0.5	0.3	[illegible]	77.5	[illegible]	[illegible]	1.6	1.8	-0.2	5.1	5.3	[illegible]
Estonia	0	0.2	-0.2	0.7	0.2	[illegible]	9.9	9.6	0.3	3.6	[illegible]	-0.4	8.3	9	[illegible]
Ireland	-4.8	-4.3	-0.5	-5	-4.8	-0.2	119.6	[illegible]	[illegible]	3	[illegible]	[illegible]	12.8	13.7	[illegible]
Spain	-5.5	-7	[illegible]	-1.7	-5.5	[illegible]	96.2	[illegible]	[illegible]	0.5	0.9	-0.4	26.7	26.4	0.3
France	-2.9	-4.2	[illegible]	-1	-2.3	[illegible]	94.3	96.2	[illegible]	1.2	1.1	[illegible]	.	10.9	.
Italy	-1.8	-2.5	[illegible]	0.4	-0.7	[illegible]	129	132.2	[illegible]	1.3	0.7	[illegible]	11.8	12.2	[illegible]
Latvia	-0.9	-0.9	0	-1	-1.5	[illegible]	[illegible]	40.1	0.9	4	4.1	-0.1	11.3	12.2	[illegible]
Lithuania	..	-2.4	.	-1.2	-2.8	[illegible]	41.2	39.4	1.8	3.4	3.6	-0.2	10.5	10.5	0
Luxembourg	-0.6	-0.4	-0.2	0.6	0.3	[illegible]	25.9	[illegible]	0.7	2.2	1.6	[illegible]	6.1	5.8	0.3
Hungary	-2.7	-3.3	[illegible]	-1.4	-1.8	[illegible]	[illegible]	78.9	[illegible]	1.9	1.4	[illegible]	10.5	11.5	[illegible]
Malta	-2.1	-3.6	[illegible]	-2.2	-3.7	[illegible]	[illegible]	74.9	[illegible]	1.6	1.8	-0.2	6.4	6.1	0.3
Netherlands	-3	-3.6	[illegible]	-1.4	-2.3	[illegible]	75	75.8	[illegible]	1.1	0.9	[illegible]	6.4	7.2	[illegible]
Austria	-1.5	-1.8	[illegible]	-1.3	-1.7	[illegible]	73	73.7	[illegible]	1.8	1.8	0	4.8	4.7	0.1
Poland	-3.3	-4.1	[illegible]	-2.0	[illegible]	[illegible]	55.7	58.9	[illegible]	2.5	2.2	[illegible]	11.0	11.4	[illegible]
Portugal	-4	-4	0	[illegible]	[illegible]	-0.1	[illegible]	124.3	[illegible]	0.6	0.6	0	18.5	18.5	0
Romania	-2	-2.4	[illegible]	[illegible]	-1.4	[illegible]	38.5	38.5	0	2.2	2.2	0	6.8	6.8	0
Slovenia	-2.6	-4.9	[illegible]	-0.7	[illegible]	[illegible]	63.2	66.5	[illegible]	0.2	-0.1	[illegible]	10	10.3	[illegible]
Slovakia	-2.6	-3.1	[illegible]	-2.5	[illegible]	-0.1	56.3	56.7	[illegible]	2.9	2.8	[illegible]	13.8	14.1	[illegible]
Finland	-1.3	-1.5	[illegible]	-0.4	[illegible]	[illegible]	57.3	57.7	[illegible]	1.6	1	[illegible]	8.1	8	0.1
Sweden	-0.9	-0.4	-0.5	1.0	[illegible]	[illegible]	41.8	39	2.8	2.2	2.5	-0.3	8.4	8.1	0.3
UK	-6	-6.3	[illegible]	[illegible]	[illegible]	[illegible]	98.6	98.7	[illegible]	1.8	1.7	[illegible]	8	7.9	0.1

Notes: MS: Member State government forecast as included in SCP; COM: COM Spring 2013 forecast;
Pink/Black indicates that the MS is more/less optimistic than the EC forecast. Greece and Cyprus did not submit a SCP. .

A second finding is that although nearly all Member States show **optimism about economic growth, forecasts for the other indicators do not always seem in line** with such optimism. Among the governments with rosy growth prospects, a majority forecasts a smaller public deficit than the COM. This is to be expected, as higher economic growth should result in increased tax revenues and lower expenditures. However, Luxemburg, Austria, Slovenia, Slovakia and Finland keep a rosy growth outlook, yet forecast a larger deficit than the COM. Governments in these Member States probably assume a weaker relationship between the business cycle, tax revenues or expenditures.

Optimism about unemployment does not always result in optimism about economic growth, whereas we would expect to see a negative relation (i.e., lower unemployment and higher growth). For most governments, the recovery is projected to be less labour intensive than could be expected from past experiences.

Table 2b presents the national and COM forecasts for 2014. In addition to Belgium, France, the Netherlands and Poland, also Hungary, Italy and Slovenia are more optimistic on all five indicators. Table 2b further shows that governments are generally **optimistic on the deficit** (16 optimistic and only 4 pessimistic) and **in particular on the structural deficit** (20 optimistic). Only Portugal, Slovakia and Finland are pessimistic, while Denmark has exactly the same forecast as the COM.[5] In many cases, the differences are quite large, as is the case in Spain, Slovenia, France and Lithuania. The fact that even more Member States tend to be optimistic regarding the one-year-ahead forecast supports our previous explanation. Governments might use other approaches than the COM in forecasting potential output growth, and therefore expect the economic recovery to be faster than what the COM predicts. This would result in a rapidly improving structural deficit too. A comparison of the forecasts of potential output growth over longer time spans would be interesting in this regard.

For GDP growth, 13 governments are optimistic, while 9 are pessimistic. Compared to the forecasts for 2013, 7 Member States turned pessimistic on growth for 2014. Several reasons can be relevant to explain this divergence:

1) Political bias: governments present bright growth forecasts in the short term for political reasons. Optimistic forecasts for the current or next year suggest that no hard adjustments should be made in the short term and that they can be spread out over time. During the budget preparation for the next year, a new revised forecast can then be presented. Several papers have shown how unpleasant forecasts are shifted out at longer horizons, and how annual revisions to those forecasts make reaching certain budget targets challenging (Artis and Marcellino, 2001; Beetsma et al., 2009). One may wonder whether forecasts are sufficiently forward looking in the medium term. From a normative point of view, the political bias could be avoided if an independent agency provided the forecasts[6].

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[5] The t-test on the differences between the national and COM forecast for the 2014 structural deficit shows that this is the only indicator which is significantly different in statistical terms (at the 10% level).

[6] According to Regulation No 473/2013 on common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit of Member States in the euro area (part of "2-pack") national medium-term fiscal plans and draft budgets shall be based on independent

2) Policy evaluation: national forecasts are based on a 'policy change' scenario, while the COM forecasts are not. Often, governments include in their scenarios the policies they plan to implement, and which may lead to higher growth. By contrast, the COM forecasts are based on the assumption of 'no policy change', unless the measures have already been adopted. Hence, in order to justify the growth optimism of governments in the forecasts, the policy impact on growth should be expected to be rather high in the short term, but limited at longer horizons. This can happen if the effects of policy measures are overestimated by the government. One may wonder if the effects of policy actions are correctly taken into account. The normative implication is to provide an independent assessment of policy changes on macroeconomic forecasts.
3) The role of spillovers: in contrast to the COM forecasts, national forecasts are not fully encompassing EU wide developments. The COM forecasts take into account changes in the overall monetary stance in the Eurozone, and the implementation of all national budgets. National forecasts are typically made under the assumption that external developments are exogenous. Although a majority of the SCPs include specific references to international conditions (such as economic growth in the main trading partners, the nominal and real effective exchange rate of the euro, the US/euro exchange rate, and the oil price), they fall short of considering policies at the euro area level. This difference reflects the different view of the EU as a one large and relatively closed economy versus a view of the EU as a set of individual open economies. Uncoordinated forecasts by national governments may result in incorrect assumptions on the external environment. One may wonder whether national budgets should be made under a common set of external assumptions, produced for example by the COM. Coordination of those forecasts might take into account all policy changes across the EU as a whole.

As was the case for 2013, the forecasts for 2014 display a lack of internal consistency among growth, the nominal deficit and/or unemployment. Some governments with a rather rosy growth outlook expect a worsening of the deficit or a higher unemployment rate.

2. Involvement of national parliaments and social partners

a. Methodology

In order to increase the transparency, ownership and accountability of the SCP and NRP, and therefore of the decisions taken at the EU level, national parliaments and social partners should be involved at the early stages of the European Semester. The EU rules stipulate that the SCP and NRP shall explicitly mention whether the programmes were presented to the national parliaments and *whether the national parliament had the opportunity to discuss the Council's opinion on the previous programme or, if relevant, any*

macroeconomic forecasts. Independent forecasts are defined in the Regulation as forecasts produced or endorsed by independent bodies. It will therefore be interesting to see, if in the coming years there will be smaller divergences between COM and national forecasts.

recommendation or warning, and whether there has been parliamentary approval of the programme.[7]

We examined the SCPs and NRPs on any explicit statement on the involvement of the national parliaments. We define **involvement** as a formal discussion, which can be an information or consultation session, a discussion in parliamentary committees, or a plenary session by the parliament, with or without a vote, on the **entire programme**. Hence, we did not consider as involvement the partial discussion or approval by parliament of any specific budget law or structural reform presented in the SCP or NRP. In those countries where implementation of the SCP or NRP may require participation of regional parliaments or of local governments (municipalities), we took note of the corresponding information reported in the SCP or NRP.

Similarly, the EU regulation No. 1175/2011 requires that any relevant stakeholders, in particular the social partners, should be involved to discuss the main policy issues of the programmes. We scanned the SCP and NRP to identify any explicit reference to the involvement of social partners. We defined social partners as trade unions, employers' federations or any other group that might have been consulted, or otherwise allowed to express its opinion on the complete SCP or NRP. We do consider specific references to the involvement of social partners in partial aspects of the programmes. When possible, we indicate whether the involvement referred to in the programme refers to trade unions, employers' federations or any other group.

b. Results

Table 3 below summarises the information on the involvement of national parliaments and social partners in each programme. Tables A1 and A2 in the Annex present the textual references that we found in the SCPs and in the NRPs on the involvement of national parliaments and social partners, respectively.

Despite the legal obligation to report on the involvement of national parliaments in the European Semester, the reported references are quite limited. Out of the 25 SCPs only, 14 include an explicit reference to the participation of the national parliament in the procedure. Two governments, Italy and Bulgaria, explicitly state in their SCPs that they could not present the programme to their parliaments, as the elections in February 2013 in Italy and in May 2013 in Bulgaria did not allow them to submit any proposal to the parliament. This still leaves 9 countries without an explicit reference at all to the role of the parliament. The reasons for not reporting any role of the parliament can be twofold:

1) There was indeed no role of the parliament at this stage of the European Semester, and the parliament was sidestepped or overlooked;
2) Governments may have considered that the involvement of their parliament was such an obvious step in the national budgetary procedure that there was no need to mention it formally.

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[7] Regulation No 1175/2011 amending Council Regulation (EC) No 1466/97 on the surveillance of budgetary positions and the surveillance and coordination of economic policies.

We further note that only 2 governments (of Belgium and Austria) made explicit reference to the involvement of regional and local authorities in the drafting of the SCP.

As far as the NRP is concerned, the involvement of the parliament is even more limited: only 10 out of 27 Member States make an explicit reference to it, while 15 do not (elections in Italy and Bulgaria probably made it impossible for them to consult their parliaments). However, many of the programmes include references to the parliament in discussing, amending or approving specific structural reforms.

Table 3 - Involvement of national parliament and social partners

	National parliament		Social partners	
	SCP	NRP	SCP	NRP
Belgium				
Bulgaria	elections	elections		
Czech Republic				
Denmark				
Germany				
Estonia				
Ireland				
Greece				
Spain				
France				
Italy	elections	elections		
Cyprus				
Latvia				
Lithuania				
Luxembourg				
Hungary				
Malta				
Netherlands				
Austria				
Poland				
Portugal				
Romania				
Slovenia				
Slovakia				
Finland				
Sweden				
UK				

Notes: Red indicates no involvement, green indicates involvement; empty cells indicate that the programme was not available, and 'elections' that the government could not submit the programme due to the electoral calendar.

The involvement of social partners is limited, and depends very much on national political arrangements. Given their different roles, it is not a surprise that social partners are more often involved in the NRP than in the SCP. Only 2 of the 25 SCPs made a reference to social partners (Netherlands and Austria), but social partners are mentioned in the NRPs of 18 Member States. Most Member States do not provide further details on the partners that have been consulted or informed, but 6 (Austria, Belgium, Denmark, France, Netherlands, Poland) refer specifically to trade unions, employers federations, and NGOs. Not surprisingly, all these countries have a long tradition in involving social partners (mostly trade unions and employers) or at least in drafting (if not writing) legislation. Some Member States do not provide any information on the role for social partners in the SCP or NRP. This is mostly the case in Eastern or Southern Europe (and the UK).

3. Implementation of the Country Specific Recommendations

a. Scope of the analysis

The CSRs are proposed annually by the COM in May on the basis of country-specific analyses and the EU-wide policy priorities presented in the Annual Growth Survey. The CSRs are endorsed by the European Council and adopted by the Council at the end of the spring cycle of the European Semester, in July of each year.

The analysis of the follow-up by national governments of the CSRs is a crucial step in the European Semester: as the CSRs are endorsed by the European Council and adopted by the Council, it is assumed that national governments will act on the basis of the CSRs to be in line with EU policy objectives.

Lack of progress in a determined time frame may give rise to warnings, and, in the case of excessive macroeconomic imbalances or budget deficits, to potential sanctions. The assessment of progress on the implementation of previous year's CSRs is moreover a valuable input for the COM in formulating the CSRs for the next European Semester Cycle, for the Council in deciding whether to adopt those CSRs, and for the political debate in general.

We examined the CSRs adopted by the Council during the 2012 Semester Cycle, and evaluated the progress that each EU Member State reported with regard to their implementation in the SCP and NRP.

Member States under a macroeconomic assistance programme – Greece, Portugal, Ireland and Romania – did not receive recommendations in 2012, as they were being monitored under macro-economic adjustment programmes.

In order to be able to make a quantitative assessment of the implementations (as reported in the programmes), we first divided each CSR into more detailed recommendations and classified them according to 6 policy domains. We subsequently defined different degrees of possible implementation of the reported policy actions, and then applied these definitions to the detailed recommendations. This approach (explained in detail in section 3c below) is similar, while not identical, to the one used in the implementation assessment by COM services (COM uses the categories "no progress", "limited progress", "some progress", "substantial progress" and "full compliance"). It has to be underlined that the COM services assessment of implementation is based not only on the information contained in the programmes, but also on bilateral meetings and country visits. The outcomes of this briefing are therefore not directly comparable to the assessment done by the COM, but can be seen as complementary. This briefing provides an evaluation of how much information the Member States included in their programmes as regards the implementation of CSRs.

b. The Country Specific Recommendations in more detail

The CSRs issued during the 2012 European Semester contained a number of recommendations on various policy areas. The first recommendation was always related to the pursuit of budgetary stability, and included detailed recommendations regarding medium-term budgetary objectives, expenditure benchmarks or budgetary frameworks.

The content of the other recommendations varied across the Member States, and could refer to different policy actions on which governments were recommended to act. For example, a recommendation on labour market reform could contain specific recommendations to reform wage indexation systems, to develop vocational training schemes to reduce youth unemployment, or to increase the performance of public employment services.

The first column of Table 4 below shows the total number of CSRs for each Member State: it ranges from 4 for Germany to 8 for Spain. The second column shows how many of the CSRs were issued under the Macroeconomic Imbalance Procedure (MIP): 10 countries were considered at risk of macroeconomic imbalances in 2012, and the number of MIP-recommendations ranged between 1 (Sweden) to 5 (Spain).

In order to analyse the CSRs and their implementation, we made a partition of each CSR into specific sub-items. In the labour market reform example above, if a CSR (say the 3rd CSR) covered various aspects of labour market reform, we split it into CSR 3a on wage indexation, CSR 3b on vocational training and youth unemployment and CSR 3c on public employment services. This classification helped to assess the implementation, but does not seek to account for the importance of the recommendation.

The detailed recommendations are presented in the country tables in the Appendix[8].

The third column of Table 4 shows the number of detailed recommendations per Member State obtained from this partition. We observe much more variation in the number of detailed recommendations than in the number of CSRs: the number of detailed recommendations varies from 6 to 34. Spain (34), Bulgaria (30) and Italy or Poland (24) are the countries with the highest number of detailed recommendations, while the lowest numbers are observed for Denmark (14), Luxembourg (9), and Sweden (6). As there are 139 CSRs in total, and we derived 438 detailed recommendations, each CSR contains on average about three detailed items.

Each of these 438 detailed recommendations was then classified into one of **six policy domains**: fiscal policy, labour market, social policy, market policy, the environment, and financial markets.

Recommendations arguably do not uniquely fall in one of these domains: for example, a recommendation to improve vocational training improves the functioning of the labour market, but has a social dimension too. Nevertheless, we choose to order each detailed recommendation in a single domain using the following criteria.

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[8] The Appendix is an Excel file which is available upon request from: egov@ep.europa.eu

The domain of **fiscal policy** includes all recommendations relating to the progress towards medium-term budgetary objectives (MTO) and the sustainability of public finances. It concerns measures to reform public spending and taxation. The domain also covers recommendations like the set-up of fiscal rules or a fiscal council, the control of regional budgets, or measures to improve budget reporting.

The **labour market** category includes all recommendations related to reforms of the structure of labour markets, such as those addressing: the wage bargaining system, labour productivity, unemployment (in particular amongst elderly and the youth), active labour market policies and participation rates (employment for older or younger people, or discrimination of women and migrants).

The category **social policy** includes recommendations under the EU strategy for socially inclusive growth that aim at improving economic and social conditions, through promoting education, and combating poverty and discrimination.

The area of **market policy** includes recommendations related to improving the functioning of markets for goods and services (such as the liberalisation of products and services markets), international cooperation, innovation and research, legal settings or the quality of public administration.

The category **environment** contains all issues related to environmental policies, with special focus on the reduction of carbon emissions and the more efficient use of energy.

Finally, the **financial market** domain includes all recommendations related to the banking sector (e.g. supervision) and regulations that may determine the financial stability of the country (private sector debt, private sector credit flow and the functioning of the housing market).

The country tables in the Appendix show this detailed classification per domain for each CSR. Table 5 below summarises this information and shows the number of detailed recommendations in each domain per country. Most recommendations were issued in the **domains of fiscal policy (153), labour markets (106) and market policy (100),** while recommendations on **social policy (45), financial markets (26), or environmental issues (8) are less frequent**. Fiscal and labour market related recommendations constitute actually more than half of all recommendations in each country, except in Bulgaria, Denmark or the UK.

Table 4 - Overview of CSRs and of detailed recommendations

	number of CSR	of which MIP	number of detailed recommendations
Belgium	7	4	21
Bulgaria	7	2	30
Czech Republic	6	0	19
Denmark	5	3	14
Germany	4	0	16
Estonia	5	0	19
Spain	8	5	34
France	5	3	18
Italy	6	4	24
Cyprus	7	3	17
Latvia	7	0	21
Lithuania	6	0	19
Luxembourg	5	0	9
Hungary	7	4	20
Malta	6	0	18
Netherlands	5	0	15
Austria	7	0	21
Poland	6	0	24
Slovenia	7	3	19
Slovakia	7	0	24
Finland	6	0	15
Sweden	4	1	6
UK	6	3	15
Sum	139	35	438

Notes: CSR related to MIP are available only for countries which had been considered at risk of macroeconomic imbalances in the Commission in-depth-reviews of 2012.

Table 5 below shows also some variation across countries by policy domain:

1. In the domain of fiscal policy, Slovakia and Spain received the highest number of recommendations. For both countries, fiscal policy is also the domain with the most frequent number of recommendations (about one third in Spain, and more than a half in Slovakia).
2. Spain also has the highest number of recommendations on labour market issues. Belgium, Luxembourg, France and Sweden also receive a high number of recommendations in this area.
3. Although measures to further open up markets are requested to all countries,[9] the country where measures aimed at market liberalisation and improvements in administration were most frequent was Bulgaria.. The Czech Republic, Lithuania, and Finland also received a relatively high number of recommendations in this domain.

[9] Only Luxembourg did not receive any recommendation at all in this domain.

Table 5 - Detailed CSR classified according to domain

	fiscal policy	labour market policy	social policy	market policy	environment	financial markets
Belgium	7	8	0	3	2	1
Bulgaria	7	3	7	13	0	0
Czech Republic	5	5	3	6	0	0
Denmark	2	3	3	3	0	3
Germany	7	2	2	3	0	2
Estonia	7	3	4	3	2	0
Spain	11	11	2	6	0	4
France	6	6	1	5	0	0
Italy	9	6	2	7	0	0
Latvia	7	3	4	6	1	0
Lithuania	9	4	0	6	0	0
Luxembourg	2	6	0	0	1	0
Hungary	8	4	2	6	0	0
Malta	8	5	1	1	0	2
Netherlands	7	2	0	3	0	3
Austria	8	6	2	8	0	2
Poland	9	4	3	7	1	0
Slovenia	6	5	1	4	0	3
Slovakia	13	6	3	2	0	0
Finland	4	6	0	5	0	0
Sweden	1	2	0	4	0	2
UK	3	3	3	4	0	2
sum	153	106	45	100	8	26
average	6.65	4.61	1.96	4.35	0.35	1.13

4. Bulgaria also received the highest number of recommendations on social policy, followed by Estonia. Latvia, Poland and Slovakia have also been asked to undertake efforts in this area.
5. There are only few recommendations in the area of environmental policy, and only Belgium and Estonia have been requested to make progress on at least two actions.
6. Regarding financial markets, recommendations were concentrated on few countries. Spain was recommended to take action on four issues, and the Netherlands, Denmark and Slovenia on three each. Other countries received some recommendations on financial markets: Sweden received only six detailed recommendations in total, but two of them referred to financial markets.

c. Reported Implementation of the CSRs

Based on the detailed recommendations, we analysed the 2013 NRPs to identify the policy actions that national governments reported in order to implement the 2012 recommendations. National governments provided information on each of the CSRs issued in 2012. In general, their reply to the first recommendation on budgetary stability was presented in the SCP, meanwhile information referring to the other CSRs was included in the NRP.[10]

Measuring progress with the implementation of the CSRs requires a clear definition of the action, the extent of the action, as well as its timing. The measures that we considered as policy actions are various: they might be laws, amendments to laws, or similar legal measures (like decrees, ordinances, or administrative changes), but also measures that do not actually require a legal change and might rather refer to an action plan, or to an agreement between the government and regions, social partners, or with other countries.

We classified policy actions into **five categories of implementation**:

1) **not done**: if the government
   a) does not mention any action at all in response to the recommendation
   b) refutes the interpretation of the detailed recommendation, and considers it to be incorrect or irrelevant
2) **not specified:** if the government
   a) mentions some action has been taken, but does not provide detail on the way this action has been achieved
3) **promise**: if the government
   a) has set up a committee, commission or working group to discuss the implementation of the CSR
   b) states that it is considering, or planning to consider, the CSR in the future
   c) states to be committed to implement the measure but made no specific steps
4) **partially implemented**: if the government
   a) is committed to implement the measure or several steps, but the overall implementation is still on-going. This is the case when some – but not all – necessary legal measures have been taken,
5) **done**: if the government
   a) has fully implemented the measure, i.e. all legal changes have been introduced.

Our analysis was limited to evaluating those measures that are mentioned or announced in the NRP, and are under direct control of the government. Hence, the aim was not to verify whether the policy actions were actually been implemented, nor to check if the objectives of a certain measure were achieved. For example, if the recommendation required a reduction of youth unemployment, we did not measure progress in terms of an actual reduction, but took note of the actions that the government had reportedly taken to achieve this goal.

We synthetized the information available in the NRP by classifying each detailed recommendation into a single category of implementation. For example, suppose that in the case of a detailed recommendation that required a change in the pension system by raising the retirement age and adapting its indexation, two measures were initiated by the government according to the

[10] Most governments submitted their NRP in a standardized format. The NRP starts with the general macroeconomic outlook, and successively presents: (i) a detailed reply to each of the CSRs, (ii) a discussion of the Europe 2020 targets, and (iii) a summary of all measures in detailed tables.

NRP. One was a legislative change on the retirement age already approved in parliament, and another one was a proposal to modify the contribution system, but was still under discussion with social partners. In this case, the recommendation was considered as *partially implemented*. The Appendix provides additional information on each of the actions taken, reports the exact wording presented in the programmes and allows for a detailed analysis. In the example above, the country table in the Appendix reports both the legislative change and its discussion with social partners.

If the government took several actions that were at different stages of implementation, we choose to classify them by the average level of implementation. Consider the same example of the pension system recommendation previously discussed: since the government introduced a legislative change and a proposal of law that was still under discussion, the progress in the pension reform was classified as *partially implemented*, because the law was not yet implemented but some progress had been made. This evaluation was based on an assessment of the overall progress in this area, and required some subjective evaluation.

In order to measure progress, we also checked the timing of each policy action. The status of progress was assessed by specifying whether each measure was implemented in 2012 or before, or whether it is planned to be introduced in 2013 or in the future (in which case we indicated the range over which the actions are planned).

Furthermore, it should be noted that we did not consider evidence on any additional actions governments might have taken in other fields. Most NRPs report in a detailed way on the CSRs and the corresponding government actions, but also refer to other actions or reforms that are not necessarily related to the CSR. In some countries this additional information is quite substantial (Spain, Italy or Belgium). This information was ignored in the analysis, as it did not strictly pertain to the implementation of the CSRs.

As the NRP provides the link between EU priorities and national policymaking, we might expect to find some explicit references to those EU goals in the different measures adopted by a government. We therefore additionally searched for evidence that a government considers the EU wide consequences of its actions. However, we could hardly find any references to possible externalities of the undertaken or planned measures. Apart from a general description of the current economic situation in Europe, and the policies that have been taken at the EU level, the potential impact on other Member States is only mentioned when there is a specific request for cross-border bilateral agreements, like in the field of energy or banking supervision, or when governments show their progress relative to a European benchmark under the EU 2020 strategy. Hence, it does not seem that Member States considered their reform measures as having relevance at the EU level. Nor is there a concern that a lack of implementation could have negative consequences on the EU. Even in fields with obvious links to area-wide consequences (banking) or global problems (climate change), only some general remarks can be found. Governments often commented that measures in the banking sector were in line with EU recommendations, but the importance of (not) implementing this measure was not explained.

The country tables in the Appendix display, for each detailed recommendation, the type of measures undertaken, the year of (planned) implementation, the status of implementation, and additional information.

Table 6 summarises the **status of implementation** of the detailed recommendations. The bottom row shows that on average, 35% of the detailed recommendations have been implemented and 32% have at least been partially implemented. This implies that nearly two thirds of all measures are at least on track. A further 22% are promised to be carried out: that implies that just 11% is not specified in the NRP or not followed up at all.

Although the overall outlook seems quite satisfactory, these averages conceal wide differences in the degree of implementation across countries, as some made much less progress than others. Only 9 Member States have fully implemented more than half of all the detailed recommendations. Out of the 14 other Member States, 3 that have not fully implemented any measure (Estonia, Germany, and the UK). However, the picture is not as negative when we take into account the percentage of partially implemented measures. Only 4 Member States have not been able to implement fully or partially at least half of all the measures (the sum of the last two columns in Table 6 (i.e. Estonia (26%), Germany (31%), Poland (42%) and the Czech Republic (48%)).

Most Member States have started a substantial number of policy actions, even if they did not fully implement a lot of them. This is the case for Belgium, Bulgaria, Hungary, and Malta.[11] The time frame over which actions can be fully implemented seems to vary across countries, probably due to the electoral calendar, the complexity of the specific reform, institutional structure, etc.

Some Member States moved forwards with a major part of recommendations. Finland, Latvia, Sweden, Italy, Cyprus, Austria and Belgium started to implement at least more than 80% of all detailed recommendations, and Luxembourg has actually partially or fully implemented 100% of all measures.

Some Member States made specific references to the recommendations when planning their implementation in the near to long-term future: *promised reforms* are either at the planning or the discussion stage, or are still under negotiation. Member States with many promises of future implementation were Estonia, Germany, the Czech Republic, and also the Netherlands, Malta and Poland.

Again, a variety of reasons can account for the variation across Member States. For some countries, the electoral calendar may slow down the execution of the recommendations, while in other countries, at the start of a new government, it may take time for it to start implementing the measures. The complexity of the reform or the negotiations within the national framework may prolong the implementation process too. For example, abolishing restrictions to some professions is an easier reform than an overhaul of the judiciary system. However, there is little evidence of differences in the status of implementation across policy domains.

[11] The Belgian government has started to implement at least more than 80% of all detailed CSRs.

Table 6 - Detailed recommendations classified by status of implementation: total number, and frequency (%) by category.

country	total number	*not done*	*not specified*	*promise*	*partially implemented*	*done*
Belgium	21	14	5	0	67	14
Bulgaria	30	17	3	13	47	20
Czech Republic	19	0	0	53	16	32
Denmark	14	14	0	29	0	57
Germany	16	6	19	44	31	0
Estonia	19	11	0	63	26	0
Spain	34	3	0	29	12	56
France	18	0	11	22	50	17
Italy	24	0	0	17	38	46
Cyprus	17	12	0	6	29	53
Latvia	21	0	5	10	48	38
Lithuania	19	11	5	11	21	53
Luxembourg	9	0	0	0	11	89
Hungary	20	5	15	25	40	15
Malta	18	6	0	39	44	11
Netherlands	15	0	7	40	13	40
Austria	21	5	5	10	24	57
Poland	24	17	4	38	38	4
Slovenia	19	5	11	11	11	63
Slovakia	24	0	0	29	38	33
Finland	15	0	0	13	40	47
Sweden	6	0	17	0	17	67
UK	[illegible]	0	13	13	73	0
average	19	[illegible]	5	22	32	35

Table A3 in the Annex presents the degree of progress across the six policy domains for each country, and Table 7 below shows the average (percentage) degree of implementation by policy domain. In general, progress with policy actions turns out to be quite uniform across domains. The majority of actions have been completed, or at least partially implemented the recommendations. Only for social policies nearly half of all actions are shifted to the future as promises. The reason might be that not all social policy measures can be introduced at once, and require prior negotiation with social partners. However, a similar delay in labour market policy cannot be detected, even if the social partners supposedly have a larger voice in this area. By contrast, measures on financial markets and the environment have been fully or partially implemented in the majority of cases.

Table 7 - Status of implementation by domain (frequency in %)

	not done	not specified	promise	partially implemented	done
fiscal policy	8	8	23	21	39
labour market policy	5	4	18	41	33
social policy	0	2	44	38	16
market policy	7	1	23	41	28
environment	0	0	13	63	25
financial markets	4	4	15	23	54
total	6	5	22	32	36

4. Conclusions

The aim of this briefing paper was to analyse the EU dimension in the national programmes submitted by Member States in the framework of the European Semester 2013. The methodological framework provided summary measures to analyse and compare in a coherent way specific information contained in the SCPs and NRPs. We focussed on three aspects of these programmes: the macroeconomic forecasts, the involvement of national parliaments and social partners in the design of the programmes, and the measurement of the progress in the implementation of the 2012. All this was done by using exclusively the information provided by Member States in their SCP and NRP.

The main results of this analysis are threefold.

First, evidence suggests that governments produced optimistic forecasts on growth and the (structural) fiscal balance, assuming a relatively fast economic recovery. Some of those forecasts are internally inconsistent.

Second, budgeting procedures require that national parliaments are involved in the discussions of the SCP, but their participation was not often invoked or mentioned in the SCP. This was even less the case for the NRP. Social partners were consulted for the NRP, but their actual participation varies across Member States.

Finally, progress with the implementation of the country-specific recommendations has been substantial, in general terms. Overall, we found that policy actions as presented by Member States in their programmes addressed about two thirds of the recommendations, even if the performance was unequal across countries. However, the follow up was rather uniform across different policy domains.

Based on the evidence found in this briefing paper, we can make the following policy recommendations in order to improving the Semester Cycle.

As the forecasts are subject to biases, a more consistent explanation of the underlying methodologies should be published in the SCP and NRP.[12] In particular, the SCP should document several aspects of the forecasting exercise: (i) the assumptions and methods underlying the calculation of potential output; (ii) the spillovers that the global economy, the impact of policies in other Member States and EU policies transmit on the domestic economy; and

[12] As mentioned in the directive 2011/85/EU on requirements for budgetary frameworks for Member States.

(iii) whether forecasts are made under the assumption of a policy change or not. Furthermore, if internal inconsistencies are due to a political bias, forecasts should preferably be checked or produced by an independent agency (as required in the economic governance legislation).

The involvement of national parliaments is of key importance in implementing EU policies at the national level. A lack of involvement of parliament – and social partners – at the earliest stages of the European budget cycle poses a threat to the accountability of EU policy measures. Parliaments should be more actively involved in the decision making and seek to take into account also the European dimension in their policy deliberations.

Measuring the follow-up of the CSRs is a crucial part for the effectiveness of the European Semester process. A publicly available measure of progress in different policy areas serves as an indicator of success not just for the COM in its preparation of the new recommendations, but is essential also for parliaments and the wider political debate.

This study was limited in scope, as it analysed a single European Semester Cycle. An annual follow-up would enable a deeper analysis of the issues that we have explored here, including the evaluation of forecast performances and biases in budget forecast (following other econometric studies, e.g. Artis and Marcellino, 2001; Cimadomo, 2012). Additional insights could also be obtained from observing information currently available in the programmes: for instance, an evaluation of the uncertainty around the economic forecasts, which are presented as different scenarios in the SCP and NRP, would allow appreciating up- and downside risks and would likely shift the discussion from forecast outcomes to a fruitful debate on assumptions and scenarios. In addition, it would be useful to continue the work on a coherent methodology aimed at assessing the implementation of the agreed commitment in the Semester framework.

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ANNEXES:

Table A1 - Involvement of national parliaments

	SCP	NRP
Belgium	Discussed with the Communities and Regions at the Inter-ministerial Conference on finance and the budget on 26 April. It was presented to the Federal parliament on that same date.	This programme has been established thanks to close collaboration between the federal Government and the governments of the Regions and the Communities. The National Reform Programme was also discussed in the federal parliament.
Bulgaria	Approved by the government and is discussed by the National Assembly. Given the fact that the President of the Republic of Bulgaria has dissolved the National Assembly and set the date for parliamentary elections on 12 May 2013, the present SCP update will not be tabled for discussion in parliament.	Approved by the government and is discussed by the National Assembly. Given the fact that the President of the Republic of Bulgaria has dissolved the National Assembly and set the date for parliamentary elections on 12 May 2013, the present SCP update will not be tabled for discussion in parliament.
Czech Republic	In April, the document was presented and discussed with the substantively relevant committees of the Chamber of Deputies and the Senate.	No reference to the involvement of the national parliament could be found
Denmark	No reference to the involvement of the national parliament could be found	The Danish Parliament has had the opportunity to discuss the recommendations given to Denmark in relation to the European Semester 2012. Denmark's National Reform Programme 2013 has also been sent to a number of committees in the Danish Parliament prior to being forwarded to the Commission.
Germany	The Federal Government submits each update of the German SCP and the corresponding Council Opinion on the updated German SCP to the competent expert committees of the German Bundestag as well as to the Finance Minister Conference (Finanzministerkonferenz) and the Stability Council (Stabilitätsrat). The Bundestag and Bundesrat had the opportunity to deliberate on both the Council Recommendation of 10 July 2012 regarding Germany's 2012 National Reform Programme as well as the Council opinion on Germany's Stability Programme for 2012-2016	Immediately following its adoption by the Federal Government, the NRP was presented to the German Bundestag and Bundesrat.
Estonia	No reference to the involvement of the national parliament could be	No reference to the involvement of the national parliament could be found

	found	
Ireland	No reference to the involvement of the national parliament could be found	No reference to the involvement of the national parliament could be found
Greece	No programme	No reference to the involvement of the national parliament could be found
Spain	No reference to the involvement of the national parliament could be found	No reference to the involvement of the national parliament could be found. Regional parliaments had an important role in the development of the Programme.
France	By law, the Programme has to be debated and voted in Parliament at least 2 weeks before it is sent to the CE. This occurred in the Assemblée Nationale on April 23rd, and in the Senate on April 24th	The Programme has been sent to the Assemblée Nationale and the Senate on April 17th, before being sent to the CE
Italy	The Programme mentions that due to the elections of February 24th, the Parliament could not give its advice	No reference to the involvement of the national parliament could be found
Cyprus	No programme	No reference to the involvement of the national parliament could be found
Latvia	The Programme has been presented in and approved in the respective Saeima's committees	The NRP are discussed on a regular basis by involving representatives of the Saeima, social partners, non-governmental organisations and the civil society
Lithuania	Approved by Resolution No XII-51 of the Seimas of the Republic of Lithuania of 13 December 2012	No reference to the involvement of the national parliament could be found
Luxembourg	The Chambre des Députés now intervenes earlier in budget procedures, via debates on the budget orientations and regular information by the Minister of Finance to the Finance and Budget Commission of the Chambre	No reference to the involvement of the national parliament could be found
Hungary	No reference to the involvement of the national parliament could be found	No reference to the involvement of the national parliament could be found
Malta	No reference to the involvement of the national parliament could be found	No reference to the involvement of the national parliament could be found
Netherlands	No reference to the involvement of the national parliament could be found	No reference to the involvement of the national parliament could be found
Austria	Programme transmitted to the Nationalrat, and to the regional and	Programme transmitted to the social partner

	local authorities (Finanzausgleichspartner)	
Poland	The Council Opinion on this Programme as well as Council recommendations on the NRP 2012 will be discussed by the Polish Parliament.	Trying to ensure that the Parliament, representatives of the local self-government participate in the process of NRP update
Portugal	No reference to the involvement of the national parliament could be found	No reference to the involvement of the national parliament could be found
Romania	No reference to the involvement of the National Parliament could be found	No reference to the involvement of the National Parliament could be found
Slovenia	The Programme is discussed in the working bodies of the Parliament.	The draft document was considered at the session of the Economic and Social Council and the following committees of the National Assembly: Committee on Finance and Monetary Policy, the Committee on the Economy, Committee on Education, Science, Sport and Youth, the Committee on Labour, Family, Social Policy and Disability and the Committee on EU Affairs.
Slovakia	The Programme is submitted to the Parliament	The Programme can be commented by all stakeholders
Finland	The contents of the Stability Programme have also been presented in writing and orally to the Grand Committee of Parliament.	Ensure that Parliament has the opportunity to affect the content of decisions made in the EU. Parliament participates in the forming of national position during the entire preparation and negotiation process taking place in the EU.
Sweden	The Riksdag's Standing Committee on Finance was informed about the convergence programme on 18 April 2013	The Riksdag's Standing Committee on Finance has been informed about the national reform programme.
UK	The House of Commons debated the UK's 2013 Convergence Programme (22 April 2013). The House of Lords debated the UK's 2013 Convergence Programme (25 April 2013). There are several references to the implication of regional governments.	No specific reference to the involvement of the national parliament could be found There are several references to the implication of regional governments.

Table A2 - Involvement of social partners

	SCP	NRP
Belgium	No reference to the involvement of social partners could be found	On several occasions, the social partners and civil society were also involved in drafting the programme and monitoring its progress.
Bulgaria	No reference to the involvement of social partners could be found	No reference to the involvement of social partners could be found
Czech Republic	No reference to the involvement of social partners could be found	No reference to the involvement of social partners could be found
Denmark	No reference to the involvement of social partners could be found	The Contact Committee for the Europe 2020 strategy, regional and local authorities as well as a broad range of interest organisations are kept closely and continuously informed about the European growth and employment agenda and the development of the European Semester, as well as involved in the preparation of the national reform programme.
Germany	No reference to the involvement of social partners could be found	Several economic and social organizations (trade unions, employers, civil society groups) work together with the government
Estonia	No reference to the involvement of social partners could be found	The Programme is prepared in cooperation with all important partners as well as a wider circle of interested people through the engagement web.
Ireland	No reference to the involvement of social partners could be found	Only mentioned when a specific reform requires involvement
Greece	No programme	Only mentioned when a specific reform requires involvement
Spain	No reference to the involvement of social partners could be found	Trade unions had an important role in the development of the Programme.
France	No reference to the involvement of social partners could be found	There has been extensive consultation of different partners (local communities, the Economic, Social and Environmental Council, social partners in the Committee for European Social Dialogue and the National Council for Combatting Poverty and Social Exclusion
Italy	No reference to the involvement of social partners could be found	No reference to the involvement of social partners could be found
Cyprus	No programme	No reference to the involvement of the national parliament could be found

Latvia	No reference to the involvement of social partners could be found	The Progress Report on the Implementation of the NRP was prepared by the Employers' Confederation of Latvia, the Free Trade Union Confederation of Latvia, the Latvian Chamber of Commerce and Industry and the Latvian Association of Local and Regional Governments. The NRP is discussed on a regular basis by involving representatives of the Saeima, social partners, non-governmental organisations and the civil society
Lithuania	No reference to the involvement of social partners could be found	With a view to including social and economic partners in the process, offers received from public organisations representing different interest groups, social and economic partners were taken into consideration during the preparation process of the National Reform Programme 2013.
Luxembourg	No reference to the involvement of social partners could be found	The NRP has been subjected to intensive consultations.
Hungary	No reference to the involvement of social partners could be found	The government called the ministers to involve the appropriate social partners in the preparation of the measures of in their respected fields. the involvement of the professional and non-governmental organizations was crucial, in line with the previous years' practice and the recommendations of the European Commission
Malta	No reference to the involvement of social partners could be found	The Policy Development Directorate (PDD) within the Ministry of Finance is responsible for drafting the NRP and co-ordinating the required input from the other key stakeholders.
Netherlands	The National Reform Programme was submitted to parliament before it was sent to the European Commission. As a rule, a debate is arranged between the Minister of Economic Affairs and parliament on the National Reform Programme.	Social partners, local authorities and non-governmental organizations. were consulted during the drafting of the Programme. Others who were consulted include the European Anti-Poverty Network (EAPN) and the Social Alliance (a network of about 60 organizations engaged in combating poverty and social exclusion)
Austria	The Programme was presented to the Austrian Nationalrat. Within their areas of responsibility, the provincial and local governments not only contribute to reaching the national Europe 2020 targets but also drive the implementation of country-specific recommendations.	The Federal Chancellery commissioned a study which aims to analyse the participation opportunities for NGOs more thoroughly.

Poland	No reference to the involvement of social partners could be found	trying to ensure that the ... widest possible scope of stakeholders from the areas of economy, science and civil society participate in the process of NRP update (entrepreneurs' organisations, labour unions, economic and agricultural chambers, non-governmental organisations and research and scientific institutions)
Portugal	Only mentioned when a specific reform requires involvement	Only mentioned when a specific reform requires involvement
Romania	No reference to the involvement of social partners could be found	No reference to the involvement of social partners could be found
Slovenia	No reference to the involvement of social partners could be found	The draft document was considered at the session of the Economic and Social Council
Slovakia	Only mentioned when a specific reform requires involvement	All stakeholders, including the public, are free to comment on the Programme
Finland	Only mentioned when a specific reform requires involvement	The programme will also be presented to social partners in conjunction with the EU procedures
Sweden	Only mentioned when a specific reform requires involvement	Regular consultations take place between the Government and the social partners on matters associated with the Europe 2020 Strategy, as well as other EU matters that concern the social partners. The social partners have been invited to contribute to next year's national reform programme at these consultation meetings.
UK	No reference to the involvement of social partners could be found	No reference to the involvement of social partners could be found

Table A3 - Detailed CSR by country, status of implementation and domain

Country	Domain	total	*not done*	*not specified*	*promise*	*partially implemented*	*done*
Belgium	fiscal policy	7	1	1	0	4	1
	labour market policy	8	2	0	0	6	0
	social policy	0	0	0	0	0	0
	market policy	3	0	0	0	2	1
	Environment	2	0	0	0	2	0
	financial markets	1	0	0	0	0	1
Bulgaria	fiscal policy	7	3	1	0	3	0
	labour market policy	3	0	0	2	1	0
	social policy	7	0	0	2	4	1
	market policy	13	2	0	0	6	5
	Environment	0	0	0	0	0	0
	financial markets	0	0	0	0	0	0
Czech Republic	fiscal policy	5	0	0	2	1	2
	labour market policy	5	0	0	1	2	2
	social policy	3	0	0	3	0	0
	market policy	6	0	0	4	0	2
	environment	0	0	0	0	0	0
	financial markets	0	0	0	0	0	0
Denmark	fiscal policy	2	0	0	0	0	2
	labour market policy	3	0	0	1	0	2
	social policy	3	0	0	2	0	1
	market policy	3	1	0	1	0	1
	environment	0	0	0	0	0	0
	financial markets	3	1	0	0	0	2
Germany	fiscal policy	7	0	1	2	4	0
	labour market policy	2	1	0	0	1	0
	social policy	2	0	1	1	0	0
	market policy	3	0	0	3	0	0
	environment	0	0	0	0	0	0
	financial markets	2	0	1	1	0	0
Estonia	fiscal policy	7	1	0	5	1	0
	labour market policy	3	0	0	2	1	0
	social policy	4	0	0	4	0	0
	market policy	3	1	0	1	1	0
	environment	2	0	0	0	2	0
	financial markets	0	0	0	0	0	0
Spain	fiscal policy	11	0	0	1	2	8
	labour market policy	11	1	0	5	0	5
	social policy	2	0	0	1	1	0
	market policy	6	0	0	3	1	2
	environment	0	0	0	0	0	0
	financial markets	4	0	0	0	0	4

Country	domain	total	*not done*	*not specified*	*promise*	*partially implemented*	*done*
France	fiscal policy	6	0	0	2	2	2
	labour market policy	6	0	1	1	3	1
	social policy	1	0	0	1	0	0
	market policy	5	0	1	0	4	0
	environment	0	0	0	0	0	0
	financial markets	0	0	0	0	0	0
Italy	fiscal policy	9	0	0	2	1	6
	labour market policy	6	0	0	0	2	4
	social policy	2	0	0	1	1	0
	market policy	7	0	0	1	5	1
	environment	0	0	0	0	0	0
	financial markets	0	0	0	0	0	0
Cyprus	fiscal policy	7	1	0	0	0	6
	labour market policy	3	0	0	1	1	1
	social policy	2	0	0	0	1	1
	market policy	3	1	0	0	2	0
	environment	0	0	0	0	0	0
	financial markets	2	0	0	0	1	1
Latvia	fiscal policy	7	0	1	0	1	5
	labour market policy	3	0	0	0	3	0
	social policy	4	0	0	1	2	1
	market policy	6	0	0	1	4	1
	environment	1	0	0	0	0	1
	financial markets	0	0	0	0	0	0
Lithuania	fiscal policy	9	2	1	1	2	3
	labour market policy	4	0	0	1	1	2
	social policy	0	0	0	0	0	0
	market policy	6	0	0	0	1	5
	environment	0	0	0	0	0	0
	financial markets	0	0	0	0	0	0
Luxembourg	fiscal policy	2	0	0	0	0	2
	labour market policy	6	0	0	0	1	5
	social policy	0	0	0	0	0	0
	market policy	0	0	0	0	0	0
	environment	1	0	0	0	0	1
	financial markets	0	0	0	0	0	0
Hungary	fiscal policy	8	0	3	3	0	2
	labour market policy	4	0	0	1	3	0
	social policy	2	0	0	0	2	0
	market policy	6	1	0	1	3	1
	environment	0	0	0	0	0	0
	financial markets	0	0	0	0	0	0

Country	domain	total	*not done*	*not specified*	*promise*	*partially implemented*	*done*
Malta	fiscal policy	8	0	0	6	1	1
	labour market policy	5	1	0	1	3	0
	social policy	1	0	0	0	0	1
	market policy	1	0	0	0	1	0
	environment	1	0	0	0	1	0
	financial markets	2	0	0	0	2	0
Netherlands	fiscal policy	7	0	1	2	1	3
	labour market policy	2	0	0	2	0	0
	social policy	0	0	0	0	0	0
	market policy	3	0	0	0	1	2
	environment	0	0	0	0	0	0
	financial markets	3	0	0	2	0	1
Austria	fiscal policy	8	1	0	2	1	4
	labour market policy	6	0	1	0	1	4
	social policy	2	0	0	0	0	2
	market policy	3	0	0	0	2	1
	environment	0	0	0	0	0	0
	financial markets	2	0	0	0	1	1
Poland	fiscal policy	9	4	1	1	2	1
	labour market policy	4	0	0	0	4	0
	social policy	3	0	0	2	1	0
	market policy	7	0	0	5	2	0
	environment	1	0	0	1	0	0
	financial markets	0	0	0	0	0	0
Slovenia	fiscal policy	6	0	1	1	0	4
	labour market policy	5	0	1	0	1	3
	social policy	1	0	0	1	0	0
	market policy	4	1	0	0	0	3
	environment	0	0	0	0	0	0
	financial markets	3	0	0	0	1	2
Slovakia	fiscal policy	13	0	0	5	2	6
	labour market policy	6	0	0	0	4	2
	social policy	3	0	0	1	2	0
	market policy	2	0	0	1	1	0
	environment	0	0	0	0	0	0
	financial markets	0	0	0	0	0	0
Finland	fiscal policy	4	0	0	0	2	2
	labour market policy	6	0	0	1	2	3
	social policy	0	0	0	0	0	0
	market policy	5	0	0	1	2	2
	environment	0	0	0	0	0	0
	financial markets	0	0	0	0	0	0

Country	domain	total	*not done*	*not specified*	*promise*	*partially implemented*	*done*
Sweden	fiscal policy	1	0	1	0	0	0
	labour market policy	2	0	0	0	1	1
	social policy	0	0	0	0	0	0
	market policy	1	0	0	0	0	1
	environment	0	0	0	0	0	0
	financial markets	2	0	0	0	0	2
UK	fiscal policy	3	0	1	0	2	0
	labour market policy	3	0	1	0	2	0
	social policy	3	0	0	0	3	0
	market policy	4	0	0	1	3	0
	environment	0	0	0	0	0	0
	financial markets	2	0	0	1	1	0

CSR + pactadas

ES: ☺ 6+2 pack + sem. cur.

Ø brazo correctivo, ok brazo preventivo.

⚠ déficit excesivo. (único dato ⚠)

TABLE 2
Country Specific Recommendations 2013
compared to the implementation of 2012 recommendations

This table presents:

- The **Country Specific Recommendations for 2012**, as adopted by the Council on 10 July 2012.
- **The assessment of the implementation of CSRs 2012** based on the **Commission Staff Working Papers**, as published on 29 May 2013
- The **Country Specific Recommendations for 2013**, as adopted by the Council on 9 July 2013

In addition to the country specific recommendations the table includes the **common recommendation for the economic policies of the Member States whose currency is the euro** (see last recommendations in the above CSRs).

The recital of the CSR specifies whether a specific **recommendation is linked to a particular EU policy instrument**:

- The first CSR generally refers to **fiscal policies** could therefore trigger further procedural steps either under the preventive arm or the corrective arm of the Stability and Growth Pact (in accordance with Regulation 1466/97 as amended, Regulation 1467/97 as amended, and Regulation 1173/2011).
- Some CSRs may refer to **policies relevant for correcting macro-economic imbalances** and could therefore trigger further procedural steps the Macro-Economic Imbalances Procedure (in accordance with Regulation 1176/2011 and Regulation 1174/2011). The table indicates which recommendations, if any, refer to such a case.
- Other CSRs may refer to policies relevant to achieve **other major economic policy objectives**, such as growth enhancing structural reforms, employment and social aspects and/or financial market stability (in accordance with the integrated guidelines adopted under Articles 121(2), 136 and 148(4)of the Treaty on the Functioning of the European Union).

Note: the CSR for 2013 have been re-arranged in the table, when relevant, to allow an easier comparison of the topics dealt with. Emphasis in the CSRs has been made by the EGOV unit.

Click here for direct access: BE, BG, CZ, DK, DE, EE, IE, EL, ES, FR, IT, CY, LV, LT, LU, HU, MT, NL, AT, PL, PT, RO, SI, SK, FI, SE, UK, Euro Area

ES	**Country Specific Recommendations 2012** **MIP: 1, 3, 4, 5, 8**	**Assessment of implementation of CSR 2012 (based on COM staff documents)**	**Country Specific Recommendations 2013** **MIP: 1, 2, 3, 4, 5, 7, 8, 9**
	1. Deliver an annual **average structural fiscal effort of above 1,5 % of GDP over the period 2010-13** as required by the Council recommendation under the EDP by implementing the measures adopted in the 2012 budget and adopting the announced multiannual budget plan for 2013-14 by end July 2012. Adopt and implement measures at regional level in line with the approved rebalancing plans and **strictly apply the new provisions of the Budgetary Stability Law** regarding transparency and control of budget execution and continue improving the timeliness and accuracy of budgetary reporting at all levels of government. **Establish an independent fiscal institution** to provide analysis, advice and monitor fiscal policy. Implement reforms in the public sector to improve the efficiency and quality of public expenditure at all government levels.	**Only partially implemented.** Spain has implemented a structural effort in 2012 and 2013 which, account taken of the unexpected adverse economic developments compared to when the Council recommendation was issued, is in line with the EDP recommendation. However, Spain will not meet the nominal budgetary targets established in the Council Recommendation of 10 July 2012. The provisions of the Budgetary Stability Laws regarding the envisaged early warning and corrective mechanisms to limit deviations from the budgetary targets of the Autonomous Communities have not been implemented in a fully transparent, timely, and effective way. Progress has been made with respect to budgetary reporting at central, regional, and social security levels by publishing monthly budgetary execution data on national accounts basis. The submission of the draft law providing for the setting up of an independent fiscal authority was submitted to the Council of Ministers in April 2013; contrary to initial expectations the authority is unlikely to be fully operational in the 2014 budgetary procedure.	**1.** Deliver the **structural fiscal effort as required** by the Council recommendation under the EDP to ensure **correction of the excessive deficit by 2016**. To this end, implement the measures adopted in the 2013 budget plans at all levels of government, **reinforce the medium-term budgetary strategy with sufficiently specified structural measures for the years 2014-16**. A durable correction of the fiscal imbalances is predicated upon the credible implementation of ambitious structural reforms which would increase the adjustment capacity and boost potential growth and employment. After achieving the correction of the excessive deficit, pursue the structural adjustment at an appropriate pace so as to reach the **medium term objective by 2018**. Ensure a strict and transparent enforcement of the preventive and corrective measures provided for in the Budgetary Stability Organic Law. **Establish an independent fiscal authority before the end of 2013** to provide analysis, advice and monitor compliance of fiscal policy with national and EU fiscal rules. Improve the efficiency and quality of public expenditure at all levels of government, and conduct a systematic review of major spending items by March 2014. **Increase the cost-effectiveness of the health-care sector**, while maintaining accessibility for vulnerable groups, for example by reducing hospital pharmaceutical spending, strengthening coordination across types of care and improving incentives for an efficient use of resources. Take measures to reduce the outstanding amount of government arrears, avoid their further accumulation and regularly publish data on outstanding amounts. **Adopt the dis-indexation law** to reduce the degree of price inertia in public expenditures and revenues, in time to have

			it in force by the beginning of 2014 and consider additional steps to limit the application of indexation clauses. Finalise by end-2013 the regulation of the sustainability factor so as to ensure the long-term financial **stability of the pension system**, including by increasing the effective retirement age by aligning retirement age or pension benefits to changes in life expectancy.
	2. Ensure that the **retirement age** is rising in line with life expectancy when regulating the sustainability factor foreseen in the recent pension reform and underpin the **Global Employment Strategy for Older Workers** with concrete measures to develop lifelong learning further, improve working conditions and foster the reincorporation of this group in the job market.	**Some progress.** In early 2013, access to early and partial retirement was curbed. An experts group has been set up to assess the sustainability factor, but a proposal on the technical details is still pending. The 2012-2014 Global Employment Strategy for Older Workers has not yet been underpinned by concrete measures, except for some progress in the recognition and accreditation of professional competencies based on work experience and formal and non-formal learning and revision of the rules on combining work and pension entitlements.	
	3. Introduce a **taxation system** consistent with the fiscal consolidation efforts and more supportive of growth, including a shift away from labour towards consumption and environmental taxation. In particular, address the low VAT revenue ratio by broadening the tax base for VAT. Ensure less tax-induced bias towards indebtedness and homeownership (as opposed to renting).	**Partially implemented.** With effect from September 2012, VAT rates were increased (the standard rate from 18% to 21%, and the reduced rate from 8% to 10%). The scope of application of the standard VAT rate was also extended (second set of measures in November 2012). New environmental taxes (on electricity generation) were introduced in 2013. A 1% reduction in employers' social security contributions in 2013 and 2014 previously announced was postponed until further notice due to the challenge of fiscal consolidation. The abolition of mortgage payment deductibility was adopted in December 2012.	**2.** Conduct a systematic **review of the tax** system by March 2014. Consider further limiting tax expenditure in direct taxation, explore the scope to further limit the application of the reduced VAT rates and take additional steps in environmental taxation, notably as regards excise duties and fuel taxes. Take further measures to address the debt bias in corporate taxation. Intensify the fight against the shadow economy and undeclared work,
	4. Implement the reform of the **financial sector**, in particular complement the on-going restructuring of the banking sector by addressing the situation of remaining weak institutions, put forward a	**Implementation is ongoing in the framework of the bank recapitalisation programme.**	**3.** Implement the **financial sector programme** for the recapitalisation of the financial institutions, including the measures promoting non-bank intermediation adopted in November 2012.

	comprehensive strategy to deal effectively with the legacy assets on the banks' balance sheets, and define a clear stance on the funding and use of backstop facilities.		
	5. Implement the **labour market reforms** and take additional measures to increase the effectiveness of active labour market policies by improving their targeting, by increasing the use of training, advisory and job matching services, by strengthening their links with passive policies, and by strengthening coordination between the national and regional public employment services, including sharing information about job vacancies.	**Partially implemented** Implementation of the 2012 labour market reform continues; its impact will be subject to an evaluation currently being developed by the government. The Royal Decree-Law of 13 July 2012 on measures to ensure budget stability and promote competitiveness has strengthened the links between active and passive labour market policies, tightening job-search conditionality and revising conditions for unemployment assistance. New measures were taken in the area of ALMPs, namely as regards youth unemployment and the links between ALMPs and PLMPs. Further reform is considered urgent to increase employability.	**4.** Finalise the evaluation of the 2012 **labour market reform** covering the full range of its objectives and measures by July 2013, and present amendments, if necessary, by September 2013. Adopt the 2013 national Employment Plan by July 2013 and enact swiftly a result- oriented reform of active labour market policies, including by strengthening the targeting and efficiency of guidance. Reinforce and modernise **public employment services** to ensure effective individualised assistance to the unemployed according to their profiles and training needs. Reinforce the effectiveness of re-skilling training programmes for older and low-skilled workers. Fully operationalize the **Single Job Portal** and speed up the implementation of public-private cooperation in placement services to ensure its effective application already in 2013.
	6. Review spending priorities and reallocate funds to support **access to finance for small and medium-sized enterprises** (SMEs), research, innovation and young people. Implement the **Youth Action Plan,** in particular as regards the quality and labour market relevance of vocational training and education, and reinforce efforts to reduce early school-leaving and increase participation in vocational education and training through prevention, intervention and compensation measures.	**Partially implemented.** The Youth Employment and Entrepreneurship Strategy 2013-2016 (in the pipeline) will encompass around 100 short, medium and long-term measures to support education and training, counterbalance youth unemployment and enhance entrepreneurship, with an overall budget of 3.5 billion. Measures to fight ESL have been maintained in 2012 in cooperation with the Autonomous Communities, but funding is no longer provided in the 2013 budget. The main objective of the draft Organic Law for the Improvement of Quality in Education (LOMCE) is also fight against ESL. The 2012 labour market reform significantly amended the contract for training and apprenticeship, and foundations were laid to launch a dual vocational training system (Royal Decree 1529/2012 of November 2012). The 2013 NRP does not provide for the reallocation of public	**5.** Implement and monitor closely the effectiveness of the measures to **fight youth unemployment** set out in the Youth Entrepreneurship and Employment Strategy 2013-2016, for example through a Youth Guarantee. Continue with efforts to increase the **labour market relevance of education** and training, to reduce early school leaving and to enhance life-long learning, namely by expanding the application of dual vocational training beyond the current pilot phase and by introducing a comprehensive monitoring system of pupils' performance by the end of 2013.

		spending to research and innovation, where no progress has been made since 2009.	
	7. Improve the **employability of vulnerable groups**, combined with effective child and family support services in order to improve the situation of people at risk of poverty and/or social exclusion, and consequently to achieve the well-being of children.	**Limited progress.** The 2012 labour market reform presented a set of general measures tending to promote employability, but failed to take a specific approach to support the active inclusion in the labour market of those furthest away from the labour market. No additional measures have been announced since the reform, except for the revision and extension of the 40 PREPARA programme until unemployment rates fall below 20 %. Spain also approved a National Strategy for the Social Inclusion of the Roma Population 2012-2020 and an Action Plan on Drugs 2013-2016, but budget allocations are yet to be confirmed. Limited progress was made on measures to tackle child poverty and improve the efficiency of family support services, although the approval in April 2013 of the Second National Strategic Plan for Children and Adolescents 2013-2016 (PENIA II) gives a positive signal.	**6.** Adopt and implement the necessary measures to reduce the number of people **at risk of poverty and/or social exclusion** by reinforcing active labour market policies to improve employability of people further away from the labour market and by improving the targeting and increasing efficiency and effectiveness of support measures including quality family support services.
	8. Take additional measures to **open up professional services**, including highly regulated professions, reduce delays in obtaining business licences and eliminate barriers to doing business resulting from overlapping and multiple regulations by different levels of government. Complete the electricity and gas interconnections with neighbouring countries and address the electricity tariff deficit in a comprehensive way, in particular by improving the cost efficiency of the electricity supply chain.	**Limited progress.** Submission of the draft Law on Professional Services has been repeatedly delayed. The Entrepreneurship Plan was announced in February 2013 and confirmed in the NRP 2013. The measures announced are being formally adopted and should contribute to introducing more dynamism into the economy. Measures adopted in December 2012 (e.g. taxes on electricity generation), and more announced in February 2013 (e.g. revised support for renewable energy sources) are intended to reduce the electricity tariff deficit in 2013 and to finance the remainder from the state budget. Additional systemic measures are needed.	**7.** Urgently adopt and implement the draft **Law on Market Unity** and speed up all complementary actions needed for its swift implementation. Ensure the effectiveness, autonomy and independence of the newly created regulatory authority. By the end of 2013, adopt and implement the Law on professional associations and services, so as to remove any unjustified restriction to the access and exercise of professional activities, and the Law on Entrepreneurship. Regroup and concentrate support schemes for the internationalisation of firms. Reduce the number and shorten **licensing procedures**, including for industrial activities, and spread the use of the "express licence" approach to activities other than retail. Review **insolvency frameworks** for companies and individuals, including through limiting personal liability of

			entrepreneurs and easing second chances for failed businesses. Remove **unjustifiable restrictions** to the establishment of large-scale retail premises. By March 2014, review the effectiveness of the regulatory framework to support the development of the housing rental market. **8.** Tackle the **electricity tariff** deficit by adopting and implementing a structural reform of the electricity sector by the end of 2013. Intensify efforts to complete the electricity and gas interconnections with neighbouring countries. Reduce the contingent liability for public finances stemming from unprofitable transport infrastructure. Set up an independent observatory to inform the assessment of future major **infrastructure projects**. Take measures to ensure effective competition in freight and passenger rail services.
			9. Adopt in line with the presented timetable the **reform of the local administration** and define by October 2013 a plan to enhance the efficiency of the overall **public administration**. Adopt and implement the on-going reforms to enhance the **efficiency of the judicial system.**

Does the European Semester deliver the right policy advice?

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Briefing submitted in advance of the Economic Dialogue with the President of the Eurogroup in ECON on 5 September 2013

Abstract

The July 2013 Council recommendations for the euro area recognise a number of fiscal and macrostructural challenges, but they do not go far enough in exploiting the policy options rendered possible by the European economic governance framework. There are particular problems with the Council's suggestions for the euro area as whole, because these suggestions are not (or are not adequately) reflected by the country-specific recommendations. A major drawback is that the Council recommendations do not give sufficient importance to symmetric intra-euro area adjustments. Reference to the euro area's 'aggregate fiscal stance' is empty rhetoric. Insufficient attention is paid to demand management. The most comprehensive recommendations are made on structural reforms (labour markets, product markets, business environment, and public finance management). While the July/August 2013 Article IV IMF recommendations on macroeconomic policies could have been also more ambitious in certain aspects, still, they better correspond to the economic situation of the euro area than the Council's recommendations. The President of the Euro Group should continue the discussions on the completion of the economic governance framework, including the completion of the banking union and the setting-up of a euro-area institution responsible for managing the euro area's aggregate fiscal stance.

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1. Introduction

The European Semester, a yearly cycle of economic policy coordination inaugurated in 2011, lies at the heart of the European Union's new economic governance framework. It starts with the setting of the main priorities by the European Commission in the 'Annual Growth Survey', followed by the submission and assessment of EU member state National Reform Programmes and Stability and Convergence Programmes. It concludes with country-specific recommendations and recommendations for the euro area as a whole.

EU member states are expected to implement the recommendations. The two main EU surveillance procedures, the Excessive Deficit Procedure (EDP) and the Macroeconomic Imbalances Procedure (MIP), are integrated into the European Semester, and non-compliance with the Council recommendations may trigger procedural steps, including sanctions.

The third European Semester was concluded by the Council recommendations on 9 July 2013. In this Briefing Paper, we assess the main fiscal and macro-structural challenges and recommendations for the euro area and its member states. Given the space constraints of this briefing paper, we focus on the main challenges for the euro area and therefore we cannot assess the recommendations for all 17 euro-area member states[1]. Instead, in addition to recommendations for the euro area as a whole, we assess the recommendations for the euro area's five largest economies: Germany, France, Italy, the Netherlands and Spain. These five countries account for 83 percent of euro-area GDP, meaning that they represent well the diversity of the euro area.

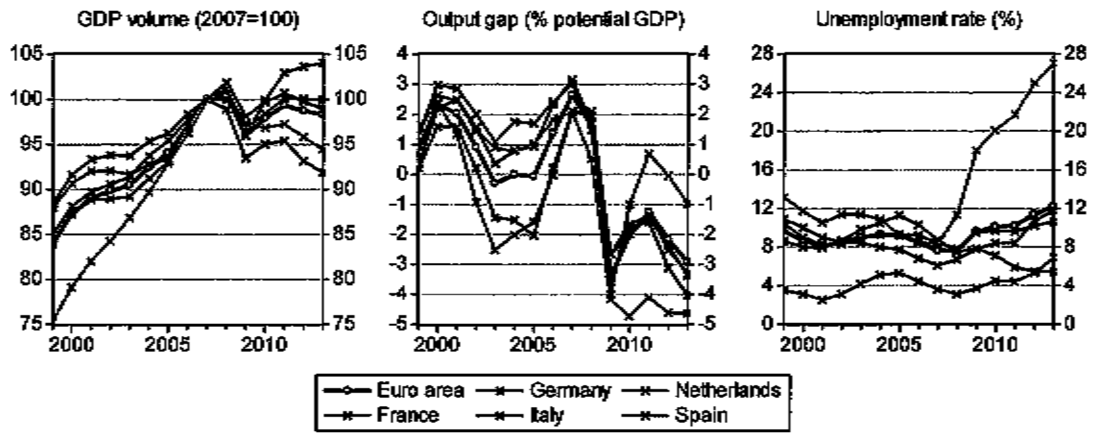
We first characterise the main economic, fiscal and financial conditions in the euro area to present the situation against which the recommendations should be assessed. This is followed by the summary and our assessment of the main recommendations for the euro area as a whole and for the five countries. For comparison, we also report the International Monetary Fund's recommendations in the framework of the Article IV consultations for all five countries and the euro area. Finally, we summarise our conclusions.

2. Economic and fiscal developments in the euro area

The figures in this section highlight the main economic and fiscal developments in the euro area, which provide the basis for assessing the Council's and the IMF's recommendations in the next section.

1 See Table on the 2012 and 2013 recommendations and the European Commission's assessment of the implementation of the 2012 recommendations for all euro-area member states, as well as the recommendations for the euro area, in European Parliament (2013). See an independent assessment of the first two rounds of the European Semester in Hallerberg, Mazinotto and Wolff (2012a,b).

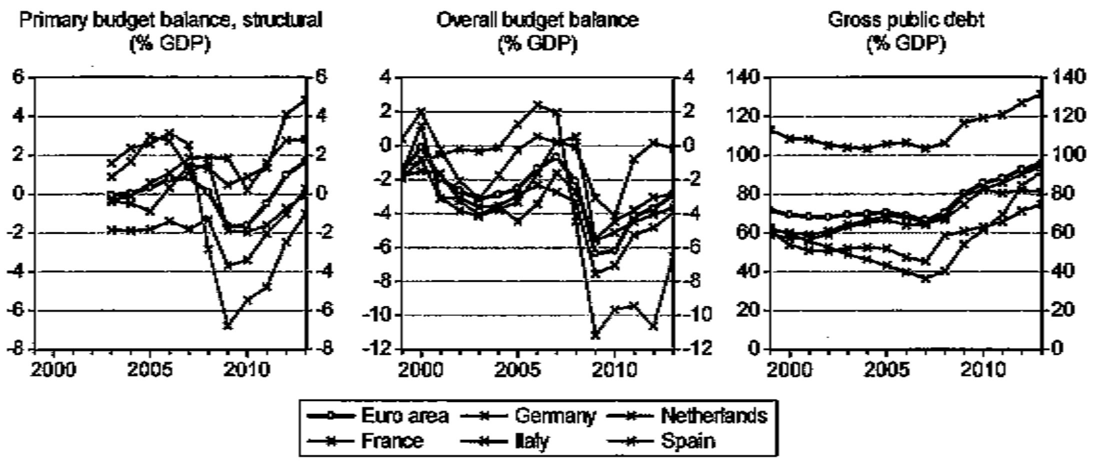
Figure 1: Main indicators of the economic cycle



Source: European Commission Spring 2013 forecast.

In 2012, euro-area GDP fell. It is expected to continue to fall in 2013, despite the recent positive quarterly growth rate in 2013Q2. The output gap is forecast to widen from -1.2 percent of GDP in 2011 to -2.9 percent in 2013. There is also a growth deceleration in Germany and a forecast widening of the output gap to -1.0 percent in 2013, though arguably, Germany is in the best economic condition among the countries we consider. In the Netherlands, the output gap is expected to widen to -3.6 percent, and to even more in Spain and Italy. The unemployment rate has also increased in all countries except Germany in recent years. Private consumption and private investment have also declined in the euro area during the past two years. Overall, the cyclical position in the whole euro area has clearly worsened since 2011.

Figure 2: Main public finance indicators



Source: European Commission Spring 2013 forecast.

The euro area's structural primary budget balance (ie the balance excluding interest payments and cleaned from the impact of the economic cycle and one-time items) is expected to improve from -1.6 percent of GDP in 2010 to 1.7 percent in 2013, reflecting an annual fiscal consolidation effort of 1 percent of GDP per year during the past three years.

Therefore, a rather significant fiscal consolidation has been implemented at a time when the cyclical position of the euro area has deteriorated considerably. There is no model that claims that this was an optimal policy (see Box 1). Instead, fiscal stabilisation should allow automatic stabilisers to run in a cyclical downturn (in which case the structural deficit remains stable and the actual deficit worsens), or even implement a fiscal stimulus (when the structural deficit also worsens).

The EU's fiscal strategy was based on the conviction that fiscal austerity is needed to restore trust, to limit increases in debt and thereby to lay the foundations for sustainable growth. Undoubtedly, low public debt has great benefits. But premature fiscal consolidation at the euro-area level has side effects, and the need for fiscal consolidation at the country-level varies.

The public-debt-to-GDP ratio is indeed high and rising in Italy and particularly in Spain, and therefore there was no alternative to fiscal consolidation (the only question was its pace). However, debt levels are lower in Germany and the Netherlands and no one questions their sustainability. From 2010 to 2013, Germany consolidated its structural primary balance by about 3 percent of GDP and the Netherlands by about 2 percent of GDP. These two countries have strong policy regimes and more expansive fiscal policies better aligned to their negative output gaps, and the needs of the euro area would have not led to concerns about debt sustainability. As a comparison, the US and Japan continue to borrow at low interest rates despite their much higher public debts and deficits. Therefore, the issue is not a return to 'failed old debt-making policies' in highly indebted countries, but to ensure fiscal stabilisation at the euro area level until private demand is weak.

Buti and Carnot (2013) challenge some criticisms of the EU's fiscal strategy and essentially conclude that fiscal consolidation was necessary in southern Europe, with which we agree. But they are silent on developments of the aggregate fiscal stance of the euro area, which was strongly influenced by the major fiscal consolidation by Germany and other euro-area Member States with strong fiscal fundamentals during the past few years. They only note that the fiscal stance of Germany is now broadly neutral, which they regard correct: again, this assessment does not consider the implication of German fiscal stance for the aggregate euro-area fiscal stance at a time when the cyclical position of the euro area is very weak.

The premature aggregate euro-area fiscal consolidation is hindering the deleveraging of the private sector and rendering it more difficult for southern euro-area member states to implement their necessary fiscal consolidation. It is also inhibiting the reduction in intra-euro area current-account imbalances and pushing the euro area to a current account surplus. This last effect can worsen global imbalances[2].

We therefore conclude that the overall euro-area fiscal stance, significant consolidation from 2011 to 2013, was inconsistent with the sizeable deterioration of the cyclical position. Lack of an authority responsible for the aggregate fiscal stance has therefore been a major handicap for the euro area (Darvas 2012b, Wolff 2012).

2 Darvas (2010) warned that premature fiscal consolidation at the euro-area level will likely lead to these four side effects.

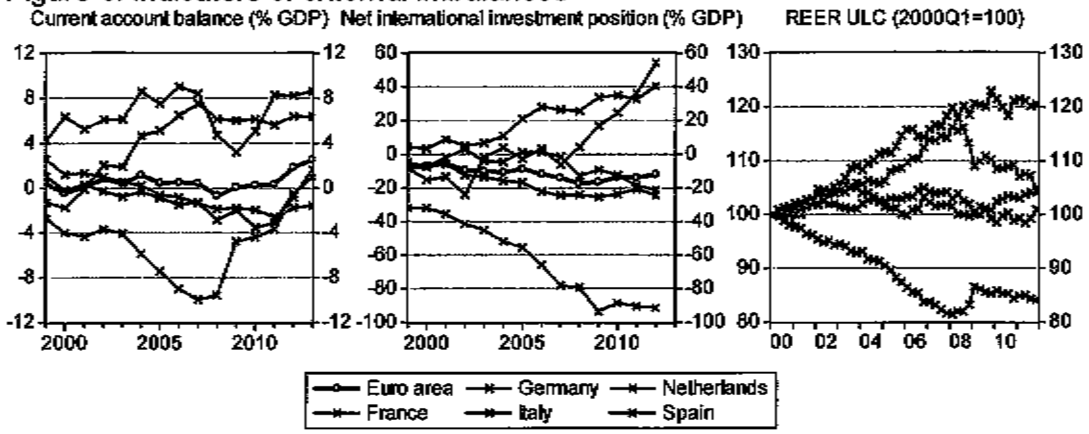
Box 1: Academic findings on fiscal stabilisation, including in a monetary union

Is fiscal policy needed to stabilise output? If the central bank is not constrained by the zero lower bound on nominal interest rates, the classical models suggest no role for fiscal policy in stabilisation (Mankiw and Weinzierl, 2011). Mankiw and Weinzierl argued further that even if the zero-bound is binding, the central bank can stabilise aggregate demand by committing to future expansionary policy. Krugman (1998) made the same point by arguing that with policy rates at zero, the central bank faces the dilemma of "promising credibly to be irresponsible". If that fails, Mankiw and Weinzerl, and Krugman, agree that expansionary fiscal policy can increase output, although the former note that welfare gains are larger if the fiscal reaction consists of tax changes rather than increased public spending. In practice, central banks do not seem to offset fiscal policy changes completely all the time. Notably Auerbach and Gorodnichenko (2012) found that fiscal policy has significant effects on output, particularly in recessions.

The textbook role for fiscal policy in a multi-country monetary union is to counteract national shocks. Ferrero (2009) argued that countries should respond to idiosyncratic shocks by varying distorting taxation and government debt. Gali and Monacelli (2008) concluded that when the central bank targets aggregate price stability, national fiscal policy to smooth idiosyncratic shocks is desirable both from the viewpoint of the individual country and the entire monetary union. Nevertheless, in the current situation, countries that could most use fiscal policy flexibility do not have, or are at risk of losing, market access. Therefore an important question is whether fiscal expansion in countries with fiscal space would have positive spillover effects and could be used as an (imperfect) substitute. Hebous and Zimmermann (2013) found that the effect on output of a currency union-wide fiscal shock is greater for most countries than the effect of a similarly sized national shock. As the fiscal costs of an aggregate shock are considerably smaller for each single country than the costs of purely domestic expansion, this favours coordination of fiscal policies. However, the impact on particular countries depends on their openness and trade links. For instance, Cwik and Wieland (2011) argued that the spillover effects are quantitatively small.

It is not realistic though to expect first-best coordination of fiscal policies decided by 17 euro-area national parliaments. Therefore, there is on-going discussion about the need for a European federal fiscal authority (Darvas, 2012b; Wolff, 2012). Proponents of this argue that it would act as a stabiliser during an economic downturn. Asdrubali et al (1996) estimated in their seminal paper that the US federal state smoothed about 13 percent of shocks to regional output between 1963-90. Cross-border flows of capital income and credit markets smoothed another 62 percent of shocks. In another study, Mélitz and Zumer (2002) found that the central government absorbed about 20 percent of regional shocks to personal income in the United Kingdom, the US and France, while the share was lower in Canada. Finally, Furceri and Zdzienicka (2012) showed that risk sharing in the euro area is substantially lower than elsewhere. Furthermore, it is considerably lower during large downturns when it is most needed. Fiscal integration could therefore contribute to the stabilisation of the economic cycle in the euro area, beyond other benefits such as further development of cross-border credit and capital markets.

Figure 3: Indicators of external imbalances



Source: European Commission Spring 2013 forecast (current account balance), Eurostat (net international investment position) and Darvas (2012a) (unit-labour cost based real effective exchange rate = REER ULC).

Note: The REER was calculated against other euro-area partners. The REER considers the business sector excluding construction, real estate and agriculture, and was calculated using constant 2008Q1 sectoral weights in order to limit the impact of compositional changes on the REER.

In addition to fiscal consolidation, another concern has been the adjustment of external imbalances. There has been significant progress on this. The previous current-account deficits of Spain and Italy are expected to turn to surpluses, and Spain's intra-euro real affective exchange rate has depreciated significantly (though Italy's has not)[3].

However, while Spain's export performance is indeed impressive (Italy's less so), it needs to be further improved and sustained. Also, it is not easy to determine the parts played by improved competitiveness and the collapse of domestic demand in the improvement of the trade balance[4]. Spain has a close to minus 90 percent of GDP net international investment position (NIIP), which is largely comprised of debt and is much larger than the 35 percent threshold in the Macroeconomic Imbalance Procedure (MIP). Therefore, Spain's trade balance should shift to a sizeable surplus in order to ensure external debt sustainability. Italy does not have a large negative NIIP, but its exports have long been losing market share and its economic growth was low even before the crisis. Real exchange rate depreciation could foster the development of the tradable sector, which in turn could improve overall economic growth as a larger share of the economy would face international competition, fostering productivity growth. Therefore, major adjustments still lie ahead. Since euro-area member states do not have a stand-alone currency, intra-euro adjustment is necessary (though not sufficient).

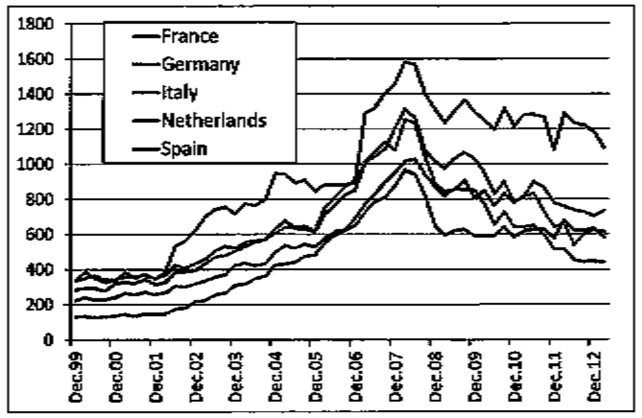
Finally, the weak state of domestic banking systems in southern Europe constrains access to credit. Non-performing loans continued to increase in Italy and Spain in 2012. Domestic problems are accentuated by the simultaneous re-nationalisation of banking systems. Foreign banks have

3 We note that in Spain, the major reason for the fall in ULC was massive layoffs (Darvas, 2012a), with adverse social consequences.

4 Using a simple accounting identity, it is possible to calculate the roles played by exports and imports in the improvement of the trade balance. For example, in the case of Spain, imports contributed by about two-thirds when constant-price data is used. But there were major changes in the terms of trade and current-price data suggests that exports had a two-third role. Beyond the accounting identity relating exports and imports to the trade balance, the impact of domestic demand collapse on both imports and exports are not known. For example, due to the collapse of domestic demand, some produces may have forced to export, even if it is less profitable (and therefore less sustainable). Therefore, there is much controversy about the roles played by improved competitiveness and the collapse of domestic demand in the improvement of the trade balance.

significantly reduced their exposure to southern Europe and have therefore withdrawn a major source of bank funding (Figure 4). Although cross-border intermediation has also decreased in stronger countries, this is less of a problem for them because they received a massive private capital inflow which also pushed down interest rates. Furthermore, the nature of the reduction of bank exposure to Germany and the Netherlands was more related to the Lehman Brothers crash, and exposure broadly stabilised soon after.

Figure 4: Foreign claims by European banks on selected countries (bn USD), 1999Q4-2013Q1



Source: BIS.

Based on these observations, we highlight five major challenges for the euro area:

- Aligning the aggregate fiscal stance of the euro area with the aggregate economic situation;
- Stimulating private investment and consumption;
- Reducing unemployment in the harder-hit countries by either creating jobs in those countries, or helping intra-EU mobility;
- Fostering symmetric the adjustment of intra-euro price/wage divergences and external imbalances;
- Fully reversing financial fragmentation.

3. The July 2013 Council recommendations

We now turn to the July 2013 Council recommendations, which are summarised in Table 1.

Table 1: Summary of July 2013 main recommendations adopted by the Council

	Euro area	Germany	The Netherlands	France	Italy	Spain
Fiscal policy	aggregate fiscal stance of the euro area should ensure growth-friendly and differentiated fiscal policy - allow	preserve sound fiscal position	correct excessive deficit by 2014 and achieve MTO by 2015	correct excessive deficit by 2015 and achieve MTO by 2016	deficit below 3 % in 2013 achieve MTO by 2014	correct excessive deficit by 2016 and achieve MTO by 2018

	automatic stabilisers to function along the adjustment path					
Demand management	-coordinate aggregate fiscal stance -address employment crisis	-promote wage growth by reducing high taxes and social security contributions	-protect growth-sensitive public expenditure	-growth-friendly consolidation and tax reform	-growth-friendly fiscal consolidation -upgrade infrastructure	-reduce government arrears
Labour market	-coordinate and monitor national reforms -tackle the social consequences of the crisis and rising unemployment, along the Compact for Growth and Jobs and the EU Youth Guarantee	-raise the educational achievement of disadvantaged people -improve incentives to work for second earners and low skilled -integrate long term unemployed	-increase labour market participation by reducing tax disincentives on labour and reforming employment protection legislation	-unemployment benefit system reform -increase labour market participation (focus on older workers) -promote apprenticeship	-increase labour market participation -improve incentives to work for second earners and low-skilled -better targeting of social transfers	-evaluate the need for further labour market reforms -improve unemployment agencies -Youth guarantee -active labour market policies to improve employability
Product market /business environment	-coordinate and monitor national reforms	-stimulate competition in services	(nothing)	-stimulate competition in services -foster innovation and exports -improve the business environment	-stimulate competition in services -growth-friendly tax reform (reduce taxes on labour and capital; increase taxes on consumption, property and environment)	-stimulate competition in services -improve the business environment
Financial system	-assess reasons for differences in lending rates to SMEs -stress tests and banking balance sheet repair -burden sharing in bank recapitalisation -credit and fiscal backstop -remove supervisory incentives for financial fragmentation -accelerate	-pursue consolidation in the sector	(nothing)	(nothing)	-expand good corporate governance -asset quality screening -promote non-bank financing	-recapitalise banks and promote non-bank financing

	banking union					
Intra-euro area adjustment	-address national distortions to saving and investment in both current account deficit and surplus countries -implement effectively the MIP	(nothing)	(nothing)	-lower labour costs	-labour market and wage setting reform to align productivity and wages	-Support schemes for internationalisation of firms
Private debt	(nothing)	(nothing)	(nothing)	-reduce debt bias in corporate taxation	-resolution of non-performing loans	-reduce debt bias in corporate taxation -reform insolvency frameworks for companies and individuals
Public finance management	(nothing)	-implement debt brake in all Länder -cost-effectiveness of healthcare spending -efficiency of the tax system -extend public procurement	-pension, health and long-term care reform	-reform of the relation between central and local governments -cost-effectiveness of healthcare spending -efficiency and simplification of the tax system -public expenditure efficiency -pension and health reform	-efficiency and quality of public expenditures -improve coordination between layers of government -public expenditure efficiency -extend public procurement -improve tax collection	-independent fiscal council by 2013 -reform of local administration -cost-effectiveness of healthcare spending -efficiency of overall public administration -remove indexation of public expenditures -pension reform -tax reform
Other reforms			-housing rental market -reduce mortgage tax deductibility		-judicial system efficiency -repress corruption -improve the management of EU funds -education reform -fight tax evasion and the shadow economy	-judicial system efficiency -education reform -housing rental market

Source: Bruegel based on official documents.