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From:	General Secretariat of the Council
To:	Permanent Representatives Committee (part 2)/Council
Subject:	2016 European Semester Process: Encouraging Implementation

Delegations will find attached the letter by the President of the EFC to the President of the Ecofin Council setting out some of the key challenges for the European Semester as discussed by the EFC and the EPC.

ECONOMIC AND FINANCIAL COMMITTEE

THE PRESIDENT

Brussels, 04 October 2016
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2016 European Semester Process: Encouraging Implementation

Dear Peter,

2016 represented a year of further progress towards a smooth running European Semester and adoption of Country Specific Recommendations (CSRs). The further nuances introduced by the Commission in the organisation of the Semester, its timeliness (particularly of the adoption of the CSR proposals), and a more frequent and higher quality information flow between Commission and Member States all contributed in this regard.

Despite this, there is a growing consensus that the real "success" of the European Semester can only be gauged through the actual implementation of the key reforms outlined in the Council's CSRs – and that implementation is somewhat disappointing. The degree of implementation of CSRs varies across countries and policy areas and this despite a considerable streamlining and focus of the CSRs towards the key macroeconomic challenges of each Member State.

Better national ownership of the key challenges and CSRs

National ownership is a necessary precondition for the implementation of the CSRs. Our preparatory committees all broadly agreed that the bilateral dialogues between the Member States and the Commission supported this year's process and that considerable progress has been made by the Commission to engage with capitals in order to generate a shared understanding of the key economic challenges facing the Member State. This welcome progress can be further built upon in the coming Semester through for example a broadening in the range of stakeholders involved in these bilateral dialogues, ensure more publicity around the CSRs, and having more discussions at higher political level, including with ministers and national parliaments.

Implementation could also benefit from stronger peer review and intense dialogue amongst Member States. Efforts by the Dutch Presidency to engage Ministers in a discussion on implementation on an annual basis were welcome. Building on these efforts you may wish to reflect on how to engage Ministers in a timely discussion on implementation, perhaps focused on a prominent policy area within the CSRs. To support the peer review process the preparatory committees will also continue work to improve the methodologies for assessing the implementation of CSRs and for assessing the progress with reducing stock imbalances.

One prominent strand of work which contains a strong assessment of implementation is the work on the specific monitoring of Member States considered to exhibit imbalances within the Macroeconomic Imbalances Procedure. The extension of this specific monitoring to cover 13 from previously eight Member States provides an opportunity for a wider and more in-depth follow-up of implementation. Council involvement and awareness of this work has progressively increased in recent years and further steps could be justified given that specific monitoring is now a standard and central element of MIP surveillance based on valuable Commission input. Council conclusions on the country specific outcomes of this work could be useful.

A further important aspect which can help promote cross-government ownership and implementation is to further ensure a coherent policy mix in the global set out of CSRs issued to the Member State. In this respect our Members felt that some improvements could be made to ensure a better consistency between the CSRs targeting fiscal issues and the fiscal stance with those to address structural reforms. For example in some cases, a fiscal CSR recommending a reduction in the government deficit was followed by structural reforms CSRs requiring increased health services or cuts in income taxation.

Aside from the issues I draw to your attention in this letter the reports from the EPC and the EFC Alternates also contain a number of recommendations for further smooth running of the Semester which those committees will take forward.

Yours sincerely,

Thomas Wieser