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NOTE

From: General Secretariat of the Council
To: Permanent Representatives Committee/Council

Subject: European Court of Auditors' Special Report No 16/2020: "The European Semester – Country Specific Recommendations address important issues but need better implementation"
- Draft Council conclusions

Delegations will find attached the draft Council conclusions on the European Court of Auditors' Special Report No 16/2020: "The European Semester – Country Specific Recommendations address important issues but need better implementation", as prepared by the Economic and Financial Committee on 22-23 October 2020.

European Court of Auditors' Special Report No 16/2020: "The European Semester – Country Specific Recommendations address important issues but need better implementation"

DRAFT COUNCIL CONCLUSIONS

THE COUNCIL OF THE EUROPEAN UNION:

1. WELCOMES the European Court of Auditors' Special Report No 16/2020: "The European Semester – Country Specific Recommendations address important issues but need better implementation".
2. STRESSES that the European Semester provides an essential framework for the economic, fiscal and employment policy coordination. WELCOMES that the Special Report recognises that the Annual Sustainable Growth Strategy 2020 shows a reorientation of the Union's strategy towards sustainable growth, including the United Nations Sustainable Development Goals and the European Green Deal. STRESSES the importance of smooth green and digital transition. UNDERLINES that efficient economic policy coordination has proven increasingly important during the current COVID-19 pandemic and is key for a timely recovery, strengthening the economic and social resilience of the EU economies, improving sustainability, and ensuring the smooth functioning of the Single Market.
3. UNDERLINES the valuable contribution that the report makes to the stock taking of the European Semester and to the identification of areas for improvement.at the end of the 10-year term of the Europe 2020 strategy.

4. WELCOMES the comprehensive approach in which the report brings together lessons learned from the progress towards the Europe 2020 targets, the formulation, implementation and monitoring of country-specific recommendations, and complements the earlier reports of the European Court of Auditors on the Stability and Growth Pact and the Macroeconomic Imbalance Procedure¹. In this context, RECALLS the respective Council Conclusions on the two previous reports².
5. NOTES that the audit work was completed prior to the outbreak of COVID-19, and that the report therefore does not take into account the changes in the economic environment or policy developments in response to the pandemic. ACKNOWLEDGES that the findings of the report remain relevant in the changed economic and policy context, while some of the report's conclusions are therefore less applicable to the new reality.
6. TAKES NOTE of the finding of the report that six out of eight Europe 2020 targets are likely to have been met, while targets for poverty alleviation and research and development will not be reached. Reaching research and development targets remains highly important for enhancing productivity and global competitiveness of the EU economies. Efforts to reduce poverty and social exclusion are even more relevant in light of the current crisis and the need to improve the economic and social resilience of the Member States.
7. AGREES with the finding of the report that implementation of country-specific recommendations has been insufficient and should be strengthened. RECOGNISES the need for continued monitoring of the implementation of the recommendations. STRESSES that Member States' ownership is critical to ensure the success of the reforms and CALLS for improved transparency and open policy dialogue between the Commission and the Member States on the identification of the main reform and investment challenges.

¹ European Court of Auditors' Special Report No 3/2018: "Audit of the Macroeconomic Imbalance Procedure (MIP)" and European Court of Auditors' Special Report No 18/2018: "Is the main objective of the preventive arm of the Stability and Growth Pact delivered?"

² Council conclusions of 13 March 2018 on the European Court of Auditors' Special Report No 3/2018: "Audit of the Macroeconomic Imbalance Procedure (MIP)" (Council document 6680/18), and Council conclusions of 4 December 2018 on the European Court of Auditors' Special Report No 18/2018: "Is the main objective of the preventive arm of the Stability and Growth Pact delivered?"

8. TAKES NOTE of the finding of the report that national reform programmes often do not explain the precise content of measures planned by the authorities. STRESSES that national reform programmes are a national policy tool, prepared in consultation with national stakeholders, and adjusted to national needs. RECOGNISES that as part of the continued dialogue with the Commission and in the context of the multilateral economic policy surveillance, additional information could be provided, as necessary. UNDERLINES that further guidance and streamlining regarding the programmes would increase their transparency and comparability, while avoiding excessive administrative burden.
9. RECOGNISES that there is room for making better use of available EU funding for supporting reform implementation. HIGHLIGHTS that the recovery and resilience facility has a significant potential for providing stimulus for reforms and investment.
10. In line with the findings of the report, CALLS on the Commission to continue explaining the rationale underpinning its selection of reform and investment priorities in the recitals to the recommendations. STRESSES the need for clear objectives, also to increase the traceability and consistency between various sets of goals under the European Semester. UNDERLINES that recommendations provide the necessary flexibility for Member States to address reform needs.
11. NOTES that many of the structural reforms, including pension reforms and tax reforms, are complex, taking years to implement and involving policy actions in a number of related areas and consultations with many stakeholders. Therefore CALLS for a revised medium-term outlook in country-specific recommendations, which address this, while preserving momentum including via ongoing monitoring.
12. RECOGNISES that in the 2021 cycle, the European Semester will be adjusted to the implementation of the upcoming recovery and resilience facility, temporarily changing the form of the European Semester process as compared to the recommendations of the Court of Auditors. INVITES all stakeholders to use the major opportunity of the recovery and resilience facility to stimulate investment and reform implementation, and ensure a lean and coherent policy coordination process that allows for effectively monitoring policy progress in all areas covered by the European Semester.