Council of the European Union

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NOTE

From:	General Secretariat of the Council
To:	Permanent Representatives Committee (part 2)/Council
Subject:	The Future of the European Semester in the context of the Recovery and Resilience Facility – Draft ECOFIN Council conclusions

Delegations will find attached the draft Council conclusions on the Future of the European Semester in the context of the Recovery and Resilience Facility, as prepared by the Economic and Financial Committee on 25 October 2021.

FUTURE OF THE EUROPEAN SEMESTER IN THE CONTEXT OF THE RECOVERY AND RESILIENCE FACILITY

DRAFT COUNCIL CONCLUSIONS

THE COUNCIL OF THE EUROPEAN UNION:

1. NOTES that in 2020, the framework for the annual coordination of economic, fiscal and employment policies across the European Union known as the European Semester was temporarily adjusted due to the COVID-19 pandemic towards addressing the negative health and socio-economic consequences. New economic circumstances and the European response to the COVID-19 crisis caused a temporary adjustment of the European Semester also in 2021 with policy guidance focusing solely on fiscal policies, as the attention was put on the preparation, adoption and implementation of the Recovery and Resilience Plans.

2. WELCOMES that the adjustment of the European Semester in 2020 and 2021 including on fiscal guidance contributed to the coordination of policy actions to effectively address the pandemic, sustain the economy and support a sustainable recovery. AGREES that also during this exceptional period, the European Semester proved to be a credible and flexible framework for the EU economic, fiscal and employment policy coordination.

3. UNDERLINES that the European Semester and the Recovery and Resilience Facility should continue, without duplications, to tackle the crisis' impact and to contribute to strengthening economic resilience and sustainable, dynamic and inclusive long-term growth, thus enhancing convergence among the EU economies. STRESSES that the European Semester should continue to ensure comprehensive surveillance of fiscal, financial, economic and employment policies, and it should closely monitor remaining and evolving risks and challenges, detect policy gaps, and ensure their follow-up. The European Semester should pay particular attention to the green and digital transition, which must be a key driver in the recovery; it should promote sustainable economic growth, well-functioning labour markets and social inclusion.

4. CALLS for a swift return to the core elements of the European Semester in the 2022 cycle, especially reinstating country reports and country-specific recommendations. UNDERLINES the need to take into account the ongoing recovery process, the related uncertainties and the implementation of the Recovery and Resilience Facility. STRESSES that country-specific recommendations should focus on a comprehensive range of challenges concerning economic, fiscal and employment policies, including those with large spillovers.

5. STRESSES the need for ensuring the complementarity and exploring synergies between the European Semester and the implementation of the Recovery and Resilience Facility, including streamlining of reporting requirements, wherever possible, to avoid excessive administrative burden and overlaps. LOOKS FORWARD to the Commission's early guidance on national reporting and monitoring requirements, especially regarding the minimum requirements for the annual national reform programmes.

6. UNDERLINES the importance of an open dialogue with the Commission services on national economic, fiscal and employment policies throughout the European Semester cycle. Broad-based mutual understanding of national policy needs can increase national ownership in the European Semester and contribute to the improved implementation of relevant policy reforms. HIGHLIGHTS that, together with national ownership, transparency of the process must be ensured.

7. RECALLS that multilateral surveillance and the related peer reviews remain central in the EU economic policy coordination under the European Semester. UNDERLINES that high-quality Commission analysis and policy recommendations are key for efficient multilateral reviews and subsequent national policy action.

8. ACKNOWLEDGES the expectation of the deactivation of the general escape clause of the Stability and Growth Pact as of 2023. STRESSES the need to safeguard the economic recovery, also taking into account the uncertainty of the economic outlook and the asymmetric impacts of this crisis, while ensuring that fiscal policy is agile and adjusted to circumstances, and fiscal sustainability preserved in the medium term.

9. STRESSES the importance of continued monitoring of the implementation of country-specific recommendations under the European Semester and the communication of the annual assessment of the implementation progress. Regular stocktaking at the EU level and related peer reviews remain crucial for promoting reform implementation. NOTES that it may require several years to effectively implement major structural reforms, and therefore RECALLS the possible benefits of issuing policy recommendations on structural economic policies less frequently than annually, combined with an annual assessment.

10. WELCOMES the continued implementation of the Macroeconomic Imbalance Procedure also during the COVID-19 pandemic and in the context of the related heightened economic uncertainties, including the Commission's 2021 Alert Mechanism Report and in-depth reviews. CALLS for close monitoring of the evolution of existing imbalances and remaining vigilant for detecting and addressing also new imbalances. RECALLS that swift and effective implementation of the Recovery and Resilience Facility has a potential for contributing to the correction and prevention of imbalances.

11. PLANS to have thorough discussions on the economic governance review which was relaunched by the Commission on 19 October, and its potential implications on the operation of the European Semester, especially as regards the Stability and Growth Pact and the Macroeconomic Imbalance Procedure.