



European Semester Mechanism at glance

October 2015

➤ **What is the European Semester?**

The European Semester is a cycle of economic and fiscal policy coordination within the EU. It is part of the European Union's economic governance framework which aims to detect, prevent, and correct problematic economic trends such as excessive government deficits or public debt levels. Its focus is on the 6-month period from the beginning of each year, hence its name - the 'semester'.

During the European Semester Member States align their budgetary and economic policies with the objectives and rules agreed at the EU level. The European Semester starts with the publication of the Annual Growth Survey (AGS) setting out the broader EU economic objectives for the year to come. Member States produce respective National Reform Programmes (NRPs) that are analysed by the EU Commission and the European Council. The European Council replies to the Member States with Country Specific Recommendations (CSRs) as an assessment of their efforts to achieve the Europe 2020 Strategy goals.

➤ **Europe 2020 Strategy**

The Europe 2020 strategy, which was initiated on 3 March 2010, aims at creating a smart, sustainable and inclusive economy and defines 5 measurable 'headline' targets for the whole EU to be achieved by the year 2020: employment rate at 75%, reduction of poverty with 25%, school drop-out rates below 10%, annual investment in research and development of minimum 3% of the GDP and the 'green 20%-20%-20%' target rates. Member States are expected to 'translate' these EU headline targets into national targets and report annually to the European Commission on the progress achieved and on the challenges encountered.

➤ **A revamped European Semester in 2015: what are the main novelties?**

The European Semester, introduced in 2011, has become an important vehicle for delivering reforms at national and EU level. However, Member States should make more progress on implementing country-specific recommendations, given that implementation has so far been irregular and often limited. Over the years, the process has been continuously improved to address its weaknesses. Most recently, the new Commission has used its first European Semester in 2015 to substantially streamline the exercise.

The 2015 main steps of the European Semester are the following:

- In September, the President of the European Commission outlines political and economic and social priorities in the State of the Union speech to the European Parliament. The ensuing debate provides input to the Annual Growth Survey for the following year.



This publication is supported under the EU Programme for Employment and Social Innovation – EaSI (2014 - 2020). The European Commission is acting as Contracting Authority. The information contained in this publication does not necessarily reflect the position or opinion of the European Commission.

- In October, euro area Member States submit their draft budgetary plans for the following year. The Commission issues an opinion on each of them in November. The Commission assesses whether the draft budgetary plans comply with the requirements under the Stability and Growth Pact.
 - In November, the Commission adopts the Annual Growth Survey and the Alert Mechanism Report, as well the assessment of the draft budgetary plans of the euro area Member States.
 - In February, the Commission publishes a single analytical economic assessment per Member State analysing their economic situation and their reform agendas (Country Reports).
 - In April, Member States present their reforms and measures to make progress towards smart, sustainable and inclusive growth in areas such as employment, education, research, innovation, energy or social inclusion (National Reform Programmes – NRPs) and their Stability (Eurozone countries) and Convergence (non-Eurozone countries) Programmes,
 - In May, after the assessment of the NRPs and SCPs, the European Commission issues for each Member State some concrete Country Specific Recommendations (CSR) addressing some priority that challenges Member States are requested to tackle in the immediate future.
- Member States have to implement the CSRs in preparing their annual budgets (the national semesters). The reporting on progress will be done in the subsequent NRPs.

On 21 October 2015, the European Commission proposed to “revamp” the European Semester process, to better integrate the EU/euro area and the national dimension and include a stronger focus on employment and social performance.

Main novelties:

- The publication of the Country Reports already in February created more space for dialogue with Member States, allowing for deeper debate at bilateral and multilateral level, as well as with other stakeholders.
- More time for reflection and debate was also created by the earlier publication of the Commission proposals for country-specific recommendations in May.
- The Commission reduced the number of recommendations only covering key priority issues of macro-economic and social relevance that require Member States' attention in the following twelve to eighteen months. A more holistic approach is taken in the Country Reports covering a broader range of topics with economic relevance for the Member States.
- The involvement of social partners and the convergence towards best practices are promoted. The Commission will progressively suggest benchmarks across policy or thematic areas, to foster a common understanding of challenges and policy responses and to increase reform implementation.
- The dialogue with national stakeholders (governments, parliaments, social partners) and the European Parliament at key moments of the Semester process will be strengthened. Member States are encouraged to involve national Parliaments and social partners more closely, e.g. in the formulation of National Reform Programmes.

