Implementation of the 2014 European Semester

Member States' economic policies are coordinated at EU level through the annual 'European Semester' exercise. The 2014 exercise was concluded in July with the adoption of Country Specific Recommendations (CSRs) by the Council, which stressed their key role in creating growth.

The European Semester (ES), which synchronises the timing of economic and fiscal policy reporting and evaluation at EU level, and introduces ex-ante coordination of national economic policies was launched in 2010. Each ES cycle, the European Commission analyses the fiscal and structural reform policies of every Member State, provides recommendations, and monitors their implementation.

In November 2013, the Commission launched the 2014 exercise with its Annual Growth Survey (AGS), setting the following priorities: pursuing differentiated, growth-friendly fiscal consolidation; restoring lending to the economy; promoting growth and competitiveness; tackling unemployment and the social consequences of the crisis and modernising public administration. Member States were to consider these when designing their economic policies for 2014. Furthermore, under the Macroeconomic Imbalances Procedure the Commission conducted in-depth reviews of 17 Member States, identifying imbalances in all those countries despite a general reduction in imbalance levels built up over many years.

The conclusions of the March 2014 European Council gave strategic policy guidance on 2014 national reforms, and the stability and convergence programmes which should address the issues identified in both 2013 CSRs and the Macroeconomic Imbalance Procedure. Consequently, in June 2014 the Commission adopted a series of CSRs to boost the recovery of European economy, increase competitiveness and create jobs in 2014-15. In its accompanying communication, the Commission concluded that returning economic growth remains uneven and fragile, and Member States were therefore encouraged to continue the reforms.

In June 2014, the European Council endorsed the CSRs later adopted by ECOFIN in July. It highlighted a number of steps that would contribute to creating more growth and jobs, such as: reducing the tax wedge on labour; reforming goods and services markets; reforming public administrations; improving the business and innovation environment; easing access to finance; improving the functioning of network industries and reforming education. The Council stressed that the implementation of the CSRs is crucial to accelerate growth. The 2014 CSRs are addressed to 26 Member States (except for Greece and Cyprus, undergoing economic adjustment programmes) and to the euro area as a whole. Governments are expected to follow them when preparing budgets and designing structural reforms as well as in employment and social policies.

The Commission's assessment of follow-up of ES recommendations found just over 40% implemented in the past four years. The Commission noted that national elections contribute to weaker implementation, while it is stronger when market pressure exists or in areas where the EU has enforcement powers (public finances). A recent assessment argues that while the 2014-15 CSRs for euro area Member States concentrate on boosting the conditions for sustainable growth, employment and private investment and addressing social effects of the crisis, they are similar to last year's. Some observers believe the EP and Commission should refocus CSRs on a reduced number of key priorities for each country, with stress on economic growth.

In its report on the 2014 European Semester (rapporteur Philippe de Backer, ALDE, Belgium), the Economic and Monetary Affairs (ECON) Committee noted a very low level of implementation of the CSRs and slow modernisation of many euro area economies. MEPs called on the Commission to propose single external representation of the euro area, and stressed that some CSRs are based on EU legal acts and failure to deliver may result in legal procedures. The Committee requested the Commission report quarterly on the implementation of CSRs and invited Member States to explain reasons for non-compliance. The report notes that growth is stifled by the absence of a well-functioning internal labour market, low level of private investment and lack of access to finance by SMEs. ECON called for completion of the internal market for capital, insurance as well as banking union.

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