

# The European Semester system of economic governance

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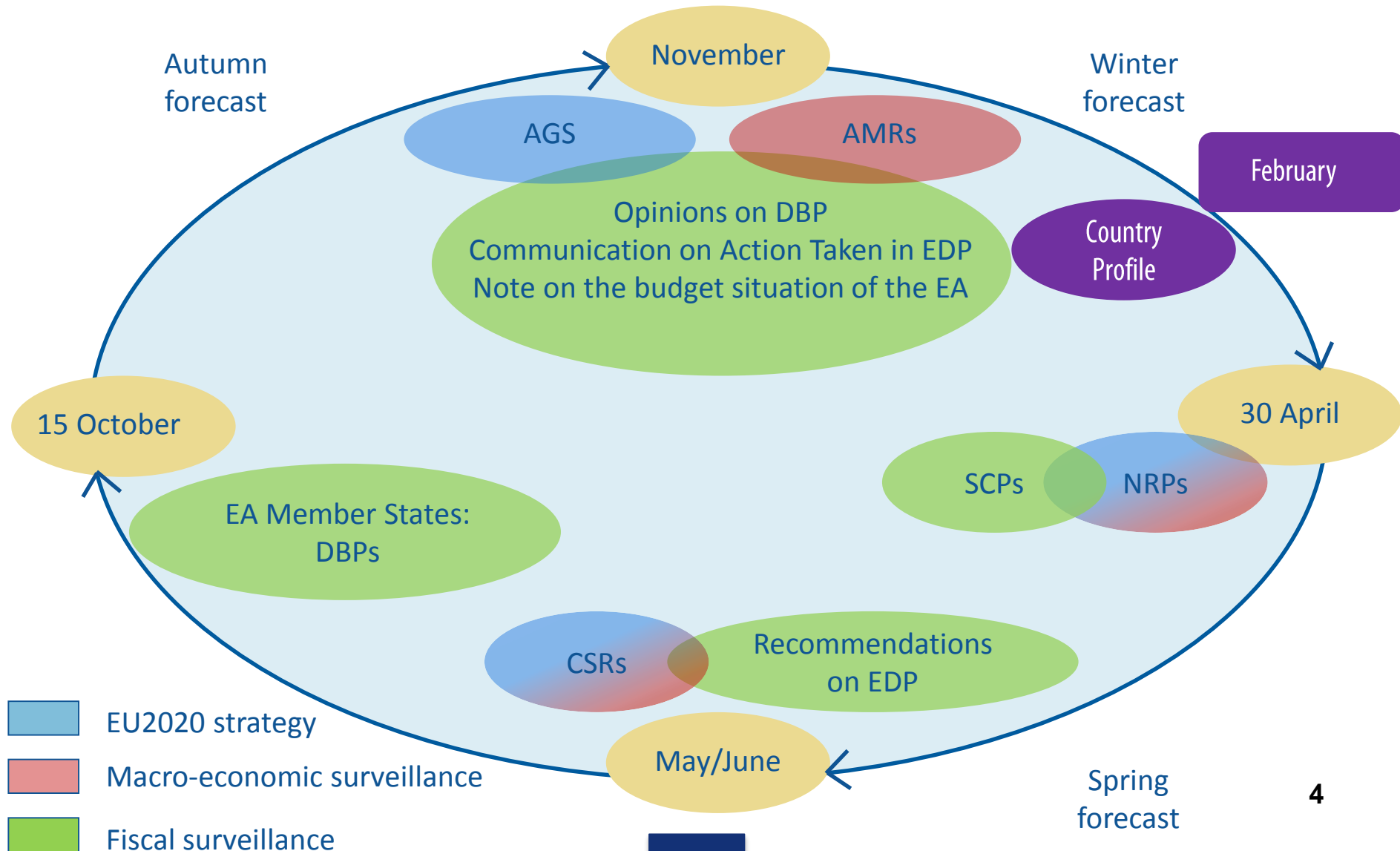
## **European Semester (o., <Lat, -s):**

*Annual European coordination cycle of national macro-economic and fiscal policies*

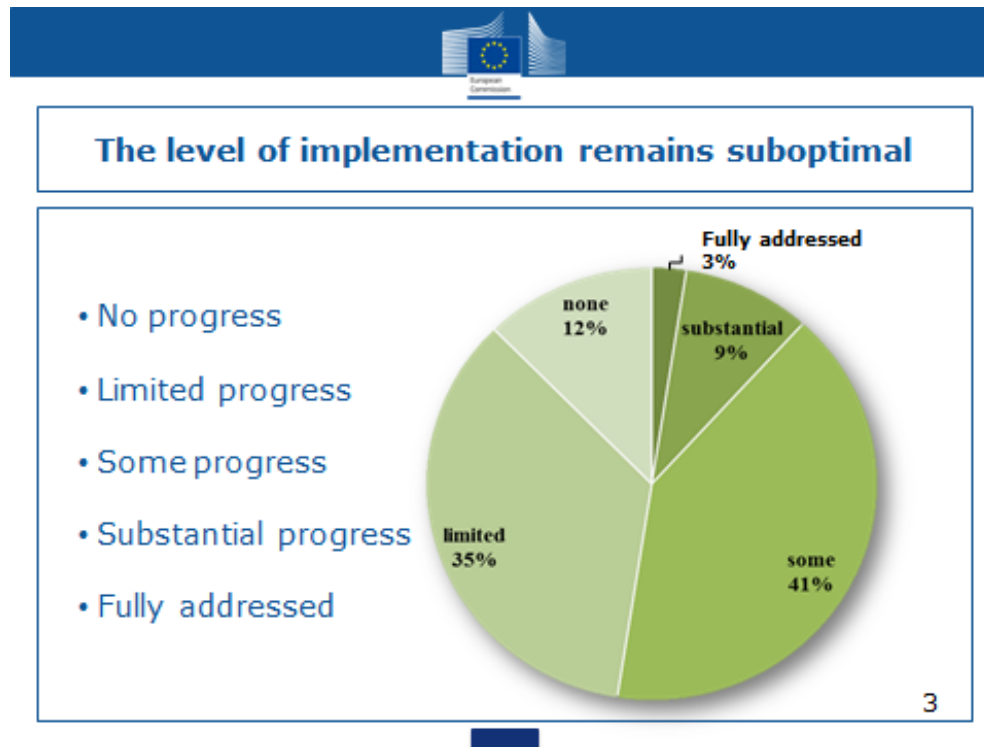
# The challenge is threefold

1. **Achieving the Europe 2020 target** of a smart, sustainable and inclusive growth
2. ... without undermining the **long term sustainability of public finances** (cf. stability and growth pact)
3. ... and without **creating macro-economic imbalances** (cf. macro-economische imbalances procedure)

# European Surveillance Cycle



# Performance of implementation of ES was mixed (2014)



**Need for strengthened coordination**<sub>5</sub>

## Last year's streamlining exercise

- **Focus** on a limited number of priorities for reform
- **More room for in-depth dialogue**
  - More integrated country analysis published 3 months earlier than before
  - Proposals for recommendations published 2 weeks earlier than before
- **More outreach at the political level** and deeper discussion with national authorities, parliaments and social partners

## The Revamped European Semester

- Builds on last year's **streamlining exercise**
- Foregrounds the **common Euro-area dimension** of the coordination exercises
- Increases the **focus on employment and social performance**
- Promotes convergence by **benchmarking** and exchange of best practices
- Increases involvement of the **EP and national parliaments**

# Lessons from consecutive reforms

- **Consecutive reforms** (6-pack & 2-pack, 2015 streamlining and 2016 revamped ES) **have strengthened coordination**, but many divergences still remain → **need for upward convergence**
- **Future deepening of Economic and Monetary Union will further institutionalise this coordination process** (5 presidents report)
- **The change in the calendar in 2015 and the publication of the Country Profile early February made a difference in terms of involvement of stakeholders** – both at the official level and dialogue with civil society
- **Downside of streamlining was focus on less issues**
- Hence the **importance of the country profile that still looks at all relevant issues, including energy**, which is therefore likely to gain in importance.



# ES versus EU

## *Parallels*

- **Yearly cycle with European and National semester**
- **Multi-dimensional / holistic**

ES: Three processes and one virtuous triangle to tackle them → investment, structural reforms & fiscal consolidation

EU: Five mutually supportive dimensions

- **Common goals but diversified at MS level**
- **Shared competences with EU supporting national measures**
- **Emphasis on coordination to manage spillovers**
- **EU recommendations guide national actions**

## *Differences*

- **Enforceability of targets varies**
- **Yearly vs. bi-annual reporting**

# Take-aways

*Ownership is crucial for governance to work*

- **Requires involvement from both governments and stakeholders**
- **Requires sufficient time for dialogue**

*Peer pressure is crucial for upwards convergence*

- **Via adequate regulatory sanctions (extended Stability & growth Pact)**
- **Soft powers e.g. peer reviews, benchmarks for other issues (employment, social performance, education, etc.)**