DIRECTORATE GENERAL FOR INTERNAL POLICIES
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The European Dimension in the National Reform Programmes and the Stability and Convergence Programmes

Study

September 2013

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Abstract

This briefing analyses certain information presented by the Member States in the National Reform Programmes and Stability and Convergence Programmes submitted to the EU in the framework of the 2013 European Semester.

Based on a methodological framework developed to summarise specific aspects of these programmes in a coherent way, the paper first examines the **macroeconomic forecasts** used by national governments and compares them with the Commission's spring 2013 forecasts. It then considers whether national governments sought the **involvement of national parliaments and social partners** in the design of the programmes. Finally, it appraises the progress made with the **implementation of the 2012 Country Specific Recommendations** (CSRs), as reported in the 2013 national programmes. This appraisal of the state of implementation is based on a detailed classification of the CSRs by policy domain (fiscal policy, labour market, social policy, market policy, environment and financial markets).

The main points made in the briefing are the following:

a) Member State governments and the Commission sometimes have different forecasts of key macroeconomic variables. In many instances, Member States' forecasts for economic growth are more optimistic than the Commission's.

b) The extent of involvement of national parliaments and social partners in the Member States varies significantly.

c) In general, progress in the implementation of the CSRs has been substantial. About one third of the detailed recommendations have been implemented, and another third have at least been partially addressed. However, discrepancies can be observed among the Member States: while many have partially or fully implemented nearly all the requested measures, others have implemented less than half of them.

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Introduction

The aim of this briefing is to examine whether – and, if so, how – the Member State governments have taken the European dimension into account when planning and presenting the main economic policy decisions described in the Stability or Convergence Programmes (SCPs) and the National Reform Programmes (NRPs) submitted to the EU in April 2013 in the context of the European Semester[1]. The SCPs and NRPs contain information on the economic outlook, the situation of public finances, the policies being pursued to implement the EU's commitments, and other actions aimed at achieving the Europe 2020 targets.

This paper focuses on three specific aspects of the programmes:

a) the forecasts for five main macroeconomic indicators (the budget deficit, the structural budget deficit, the debt-to-GDP ratio, the year-on-year real economic growth rate and the unemployment rate);

b) the involvement of national parliaments and social partners in the design of the programmes;

c) the implementation of the 2012 Country Specific Recommendations (CSRs), as presented in the 2013 NRPs and SCPs.

The information available in the SCPs and NRPs has been analysed in detail, and presented using synthetic indicators. It needs to be underlined that this analysis is based exclusively on the information presented in the programmes, and that the assessment of the implementation of CSRs is made according to a synthetic classification.

The main points made in the briefing are the following:

a) Member State governments and the Commission sometimes have different forecasts of key macroeconomic variables. These differences indicate that the governments hold a more optimistic view of the prospects for economic growth in the short term and of the potential output growth and (structural) fiscal balance in the longer term.

b) The extent of involvement of national parliaments and social partners in the Member States varies widely. Parliaments often take part in discussions on the SCP, in keeping with requirements under budgetary procedures, but do so to a much lesser extent when it comes to the NRP. Social partners are often consulted on the NRP but less frequently on the SCP.

c) Progress in the implementation of the CSRs has been substantial. According to our classification, about one third of the detailed recommendations have been implemented and another third have at least been partially addressed. The last third includes either promises to take action in the future or recommendations that are not followed up at all. In this regard, however, there are discrepancies between the Member States: while some governments have fully or partially implemented nearly all the measures requested, others have implemented less than half of them.

[1] The deadline for submission of the SCP and NRP was 30 April 2013. Needing more time for parliamentary procedures or to arrange for translation into English, some Member States submitted their programmes in the weeks that followed.

This briefing is structured as follows:

Sections 1 to 3 cover the three main aspects of the analysis: 1) a comparison of forecasts; 2) the involvement of national parliaments and social partners; and 3) implementation of the 2012 CSRs. Each section describes the applied methodology and discusses its scope, and then presents the main results. In the final section, we draw some conclusions and present some proposals for future work.

1. Macroeconomic forecasts

a. *Methodology*

Governments are required to provide forecasts for a set of macroeconomic indicators used in the SCP and NRP. This section focuses on the five indicators that are of major importance for the projections underlying the economic and budgetary outlook that governments present in their programmes: the budget deficit-to-GDP ratio, the structural budget deficit-to-potential GDP ratio, the debt-to-GDP ratio, the year-on-year real economic growth rate, and the unemployment rate. Forecasts were made for the current year (2013) and for the coming year (2014).

We compared these national forecasts to the Commission's spring 2013 forecast. Both national and Commission forecasts were released in spring 2013: the SCP and NRP were published at the end of April 2013, and the Commission's spring forecast on 3 May 2013. This simultaneous release allows a comparison of the forecasts, as the sets of information underlying the forecasts were very similar.

The SCP/NRP forecasts were considered as **'more optimistic'** than the Commission forecasts when the former offered lower projections for budget deficit, structural budget deficit, debt-to-GDP ratio and the unemployment rate, or higher projections for growth, than did the latter. We assessed the degree of optimism of the forecasts, and tested for the significance of the differences between national and Commission forecasts with a standard t-test. The main aim of this exercise was to compare national forecasts to the Commission forecast, rather than to evaluate forecast performance, since the accuracy of the forecasting can only be assessed when actual data for the indicators become available in early 2014 or 2015.[2]

As the underlying information sets for the forecasts were similar, the most important differences between national and Commission forecasts must be considered in relation to the differences in views existing on the expected effectiveness of policy measures, or to different assumptions about the underlying economic relationships. For example, the effect on the budget deficit of a specific budgetary measure/reform may be assessed differently by the Commission and by the government of the Member State concerned. Furthermore, the government and the Commission may also hold different assumptions as to the extent of spillover effects of policy measures among Member States and their trading partners.

Even if there are differences in the assumptions or in the effects of policies, the forecasts provided by the national governments should satisfy basic macroeconomic identities or constraints, and, at least, be internally consistent. That is, given a similar set of information on the economic scenarios underlying the forecasts:

[2] For studies that evaluate the performance of Commission forecasts, see Gonzalez Cabanillas and Terzi (2012).

– if a government is pessimistic with regard to the public deficit, then it should also be pessimistic on the evolution of government debt, *ceteris paribus*; higher deficits accumulate as higher debt unless extraordinary measures are taken;

– if a government is optimistic on economic growth, then it should also be optimistic on the nominal deficit, *ceteris paribus*, as higher growth generates higher tax revenue*;*

– if a government is more optimistic about the evolution of unemployment, then it should also be more optimistic on economic growth, *ceteris paribus*; on the basis of Okun's law (which relates unemployment to economic growth), we expect lower unemployment figures to be associated with higher growth[3].

We checked the internal consistency of the national forecasts, and propose an explanation for the differences observed.

b. *Results*

We focussed the analysis on the forecast presented in the SCPs. The reason is that national governments have presented their macroeconomic forecasts mainly in the SCP.[4] As can be seen in Tables 1a and 1b below, there are few – if any – references to macroeconomic forecasts in the NRP. In the few instances where forecasts were presented in both SCPs and NRPs, they are mostly similar, with some exceptions. The 2013 SCP forecasts of the nominal deficit in Slovakia, the structural deficit in Hungary, GDP growth in Ireland and unemployment rates in Ireland, Romania and Slovakia do not correspond to the corresponding NRP forecasts. For the 2014 forecasts, we observe discrepancies between the SCP and the NRP as regards the structural deficit of Hungary, growth in Ireland and unemployment in Ireland and Romania. These differences are generally small, but still relevant. Such inconsistencies among SCPs and NRPs may be due to the fact that different ministries prepare the different programmes without relying on unique benchmarks.

[3] Okun's law refers to the elasticity of real GDP growth with respect to the unemployment rate. As a rule of thumb, in OECD economies this elasticity is typically around -2, i.e. a one percentage point increase in the unemployment rate is associated with a fall in real GDP of two percentage points.

[4] Many governments have submitted the SCP in a rather standardised format. The tables containing the macroeconomic forecasts follow a similar structure, the only exception being the UK.

Table 1a – Comparison of forecasts by national governments in the SCP and NRP for 2013

Member State	SCP					NRP				
	deficit	structural deficit	debt	Growth	unemployment rate	deficit	structural deficit	debt	growth	unemployment rate
Belgium	-2.5	-1.8	100	0.2	7.5	.	.	.	0.2	7.5
Bulgaria	-1.3	-0.8	17.9	1	13	.	.	.	1	13
Czech Republic	-2.8	-1.8	48.5	0	7.6	.	.	.	.	.
Denmark	-1.6	-0.2	44	0.7	7.6	-1.6	-0.2	.	.	.
Germany	-0.5	0	80.5	0.4	5.4	.	.	.	0.4	.
Estonia	-0.5	0.3	10.2	3	9.1	.	0.3	.	3	0
Ireland	-7.5	-6.9	120.3	2.2	13.6	.	.	.	1.3	14
Spain	-6.3	-2.3	91.4	-1.3	27.1	.	.	.	-1.3	.
France	-3.7	-2	93.6	0.1	.	.	.	.	.	.
Italy	-2.9	0	130.4	-1.3	11.6	.	.	.	-1.3	11.6
Latvia	-1.1	-1.1	44.5	4	12.6	.	.	.	4	12.6
Lithuania	.	-1.9	39.7	3	11.5	.	.	.	.	.
Luxembourg	-0.7	0.7	23.8	1	5.9	.	.	.	1	.
Hungary	-2.7	-1.1	78.1	0.7	10.7	-2.7	-1.7	.	0.7	10.7
Malta	-2.7	-2.7	74.2	1.4	6.6	-2.7	.	.	1.4	6.6
Netherlands	-3.4	-1.5	74	-0.4	6.3	.	.	.	-0.4	6.3
Austria	-2.3	-1.9	73.6	1	4.8	.	.	.	.	.
Poland	-3.5	-2.4	55.8.	1.5	10.8	.	.	.	1.5	10.8
Portugal	-5.5	-3.6	122.3	-2.3	18.2					
Romania	-2.4	-1.5	38.6	1.6	6.9	-2.4	-1.5	38.6	1.6	7
Slovenia	-7.9	-1.8	63.2	-1.9	10	.	.	.	-1.9	10
Slovakia	-2.9	-3.3	54.8	1.2	14.3	-3.3	.	.	1.2	14
Finland	-1.9	-0.7	56.3	0.4	8.2	-1.9	-0.6	.	.	8.2
Sweden	-1.4	0.4	42.0	1.2	8.3	.	.	.	1.2	8.3
UK	-6.8	-4.4	94.9	0.6	7.9	.	.	.	0.6	7.9

Notes: Greece and Cyprus did not submit SCPs.

Table 1b – Comparison of forecasts by national governments in the SCP and NRP for 2014

Member State	SCP					NRP				
	deficit	structural deficit	debt	growth	unemployment	deficit	structural deficit	debt	growth	unemployment
Belgium	-2	-1.2	99	1.5	7.6	.	.	.	1.5	7.6
Bulgaria	-1.3	-0.8	20.4	1.8	12.8	.	.	.	1.8	12.8
Czech Republic	-2.9	-1.8	50.3	1.2	7.7	.	.	.	.	.
Denmark	-1.7	-0.3	42.4	1.6	7.3	-1.7	-0.3	.	.	.
Germany	0	0.5	77.5	1.6	5.1	.	.	.	1.6	.
Estonia	0	0.7	9.9	3.6	8.3	.	.	.	3.6	.
Ireland	-4.8	-5	119.5	3	12.8	.	.	.	2.4	13.3
Spain	-5.5	-1.7	96.2	0.5	26.7	.	.	.	0.5	.
France	-2.9	-1	94.3	1.2	.	.	.	.	.	.
Italy	-1.8	0.3	129	1.3	11.8	.	.	.	1.3	11.8
Latvia	-0.9	-1	41	4	11.3	.	.	.	4	11.3
Lithuania	.	-1.2	41.2	3.4	10.5	.	.	.	.	.
Luxembourg	-0.6	0.6	25.9	2.2	6.1	.	.	.	2.2	.
Hungary	-2.7	-1.4	77.2	1.9	10.5	-2.7	-1.7	.	1.9	10.5
Malta	-2.1	-2.2	74.2	1.6	6.4	-2.1	.	.	1.6	6.4
Netherlands	-3	-1.4	75	1.1	6.4	.	.	.	1.1	6.4
Austria	-1.5	-1.3	73	1.8	4.8	.	.	.	.	.
Poland	-3-3	-2-0	55.7	2.5	11.0	.	.	.	2.5	11
Portugal	-4	-2.1	123.7	0.6	18.5	.	.	.	0.6	18.5
Romania	-2	-1	38.5	2.2	6.8	-2	-1	38.5	2.2	6.9
Slovenia	-2.6	-0.7	63.2	0.2	10	.	.	.	0.2	10
Slovakia	-2.6	-2.5	56.3	2.9	13.8	.	.	.	.	.
Finland	-1.3	-0.4	57.3	1.6	8.1	-1.3	-0.4	.	.	.
Sweden	-0.9	0.9	41.8	2.2	8.4	.	.	.	2.2	8.4
UK	-6	-3.4	98.6	1.8	8	.	.	.	1.8	8

Notes: Greece and Cyprus did not submit SCPs.

Tables 2a and 2b below show the SCPs and the Commission forecasts for 2013 and 2014, respectively, and the differences between them. For ease of comparison, the cells showing a more optimistic (*pessimistic*) national forecast that is respectively more optimistic or more *pessimistic* than the Commission's ones are coloured pink or *black*.

As regards the forecasts for 2013, we did not detect a significant bias towards either optimism or pessimism (table 2a). Nonetheless, national governments are generally more optimistic than the Commission on **economic growth**. Only in two Member States (Sweden and Lithuania) is economic growth expected to be lower than the Commission forecast. In eight Member States it is predicted to remain unchanged, while in another 15 governments expect it to be higher. The size of these differences varies, and can often be considered as marginal. Only in Ireland is economic growth expected to be significantly higher (by more than one percentage point) than the Commission forecast.

There is also widespread **optimism about the structural deficit**: only the Czech Republic, Germany, Denmark, Slovakia, Finland and Austria forecast higher structural deficits than the Commission does, while 14 other countries are more optimistic. These differences can be very large (as in the case of Spain). The structural deficit is the budget balance net of the cyclical component and one-off measures. This means that a forecast of this indicator requires assumptions about the size of the output gap (the difference between actual and potential output growth) and the strength of the automatic stabilisers, i.e. the reaction to cyclical developments in terms of government spending and revenues. Deviations between Commission and national forecasts may be caused by different assumptions concerning the cyclicality of the budget variables and/or different estimates of potential output. Optimism regarding the structural deficit is likely explained by the latter. In 2010 the Commission revised its methodology for the estimation of potential output (D'Auria et al., 2010). This new method resulted in less volatile measures of potential output, but implies that growth perspectives will be subdued for a long time after the financial and economic crisis (D'Auria et al., 2010). If the national forecasts are produced using other methodologies, potential output is likely to be evaluated more positively, and the economic rebound would be faster. A positive assessment of potential output would result in optimism about the structural deficit, and would also explain optimism regarding economic growth.

If we consider all five indicators jointly for the same country, we note that four Member States (Belgium, France, the Netherlands and Poland) are more optimistic than the Commission on all five indicators.

Table 2a also provides information on the internal consistency of the forecasts for 2013. A first finding is that **government predictions are not always entirely consistent on the relationship between deficits and debt**. In Germany, Estonia and Austria the deficit is projected to be higher than predicted by the Commission, but debt is projected not to rise as much as in the Commission forecast. The opposite – an optimistic deficit forecast but a pessimistic debt forecast – is the case, marginally for Spain, the Czech Republic and Malta, and quite substantially for Latvia. Other Member States exhibit greater consistency.

Table 2a – Comparison of national (SCP) and Commission forecasts for 2013

Member State	deficit			structural deficit			debt			growth			unemployment		
	MS	COM	Δ	MS	COM	Δ	MS	COM	Δ	MS	COM	Δ	MS	COM	Δ
Belgium	-2.5	-2.9	0.4	-1.8	-2.3	0.5	100	101.4	-1.4	0.2	0	0.2	7.5	8	-0.5
Bulgaria	-1.3	-1.3	0	-0.8	-0.8	0	17.9	17.9	0	1	0.9	0.1	13	12.5	0.5
Czech Republic	-2.8	-2.9	0.1	-1.8	-1.6	-0.2	48.5	48.3	0.2	0	-0.4	0.4	7.6	7.5	0.1
Denmark	-1.6	-1.7	0.1	-0.2	0	-0.2	44	45	-1	0.7	0.7	0	7.6	7.7	-0.1
Germany	-0.5	-0.2	-0.3	0	0.4	-0.4	80.5	81.1	-0.6	0.4	0.4	0	5.4	5.4	0
Estonia	-0.5	-0.3	-0.2	0.3	-0.2	0.5	10.2	10.2	0	3	3	0	9.1	9.7	-0.6
Ireland	-7.5	-7.5	0	-6.9	-6.9	0	120.3	123.3	-3	2.2	1.1	1.1	13.6	14.2	-0.6
Spain	-6.3	-6.5	0.2	-2.3	-4.4	2.1	91.4	91.3	0.1	-1.3	-1.5	0.2	27.1	27	0.1
France	-3.7	-3.9	0.2	-2	-2.2	0.2	93.6	94	-0.4	0.1	-0.1	0.2	.	10.6	.
Italy	-2.9	-2.9	0	-0.0	-0.5	0.5	130.4	131.4	-1	-1.3	-1.3	0	11.6	11.8	-0.2
Latvia	-1.1	-1.2	0.1	-1.1	-1.4	0.3	44.5	43.2	1.3	4	3.8	0.2	12.6	13.7	-1.1
Lithuania	.	-2.9	.	-1.9	-2.8	0.9	39.7	40.1	-0.4	3	3.1	-0.1	11.5	11.8	-0.3
Luxembourg	-0.7	-0.2	-0.5	0.7	0.7	0	23.8	23.4	0.4	1	0.8	0.2	5.9	5.5	0.4
Hungary	-2.7	-3	0.3	-1.1	-1.1	0	78.1	79.7	-1.6	0.7	0.2	0.5	10.7	11.4	-0.7
Malta	-2.7	-3.7	1.0	-2.7	-3.8	1.1	74.2	73.9	0.3	1.4	1.4	0	6.6	6.3	0.3
Netherlands	-3.4	-3.6	0.2	-1.5	-2.0	0.5	74	74.6	-0.6	-0.4	-0.8	0.4	6.3	6.9	-0.6
Austria	-2.3	-2.2	-0.1	-1.9	-1.6	-0.3	73.6	73.8	-0.2	1	0.6	0.4	4.8	4.7	0.1
Poland	-3.5	-3.9	0.4	-2.4	-3.3	0.9	55.8	57.5	-1.7	1.5	1.1	0.4	10.8	10.9	-0.1
Portugal	-5.5	-5.5	0	-3.6	-3.6	0	122.3	123	-0.7	-2.3	-2.3	0	18.2	18.2	0
Romania	-2.4	-2.6	0.2	-1.5	-1.7	0.2	38.6	38.6	0	1.6	1.6	0	6.9	6.9	0
Slovenia	-7.9	-5.3	-2.6	-1.8	-2.4	0.6	63.2	61	2.2	-1.9	-2	0.1	10	10	0
Slovakia	-2.9	-3	-0.1	-3.3	-3	-0.3	54.8	54.6	0.2	1.2	1	0.2	14.3	14.5	-0.2
Finland	-1.9	-1.8	-0.1	-0.7	-0.6	-0.1	56.3	56.2	0.1	0.4	0.3	0.1	8.2	8.1	0.1
Sweden	-1.4	-1.1	-0.3	0.5	-0.1	0.5	42	40.7	1.3	1.2	1.5	-0.3	8.3	8.3	0
UK	-6.8	-6.8	0	-4.4	-5.7	1.3	94.9	95.5	-0.6	0.6	0.6	0	7.9	8	-0.1

Notes: Member State government forecast as included in SCP. COM: Commission spring 2013 forecast; pink/black indicates that the MS is more/less optimistic than the Commission forecast. Greece and Cyprus did not submit SCPs.

Table 2b - Comparison of national (SCP) and Commission forecasts for 2014

Member State	deficit			structural deficit			debt			growth			unemployment		
	MS	EC	Δ	MS	EC	Δ*	MS	EC	Δ	MS	EC	Δ	MS	EC	Δ
Belgium	-2	-3.1	1.1	-1.2	-2.3	1.1	99	102.1	-3.1	1.5	1.2	0.3	7.6	8	-0.4
Bulgaria	-1.3	-1.3	0	-0.8	-0.9	0.1	20.4	20.3	0.1	1.8	1.7	0.1	12.8	12.4	0.4
Czech Republic	-2.9	-3	0.1	-1.8	-2.1	0.3	50.3	50.1	0.2	1.2	1.6	-0.4	7.7	7.4	0.3
Denmark	-1.7	-2.7	1	-0.3	-0.3	0	42.4	46.4	-4	1.6	1.7	-0.1	7.3	7.6	-0.3
Germany	0	0	0	0.5	0.3	0.2	77.5	78.6	-1.1	1.6	1.8	-0.2	5.1	5.3	-0.2
Estonia	0	0.2	-0.2	0.7	0.2	0.5	9.9	9.6	0.3	3.6	4	-0.4	8.3	9	-0.7
Ireland	-4.8	-4.3	-0.5	-5	-4.8	-0.2	119.5	119.5	0	3	2.2	0.8	12.8	13.7	-0.9
Spain	-5.5	-7	1.5	-1.7	-5.5	3.8	96.2	96.8	-0.6	0.5	0.9	-0.4	26.7	26.4	0.3
France	-2.9	-4.2	1.3	-1	-2.3	1.3	94.3	96.2	-1.9	1.2	1.1	0.1	.	10.9	.
Italy	-1.8	-2.5	0.7	0.4	-0.7	1	129	132.2	-3.2	1.3	0.7	0.6	11.8	12.2	-0.4
Latvia	-0.9	-0.9	0	-1	-1.5	0.5	41	40.1	0.9	4	4.1	-0.1	11.3	12.2	-0.9
Lithuania	.	-2.4	.	-1.2	-2.8	1.6	41.2	39.4	1.8	3.4	3.6	-0.2	10.5	10.5	0
Luxembourg	-0.6	-0.4	-0.2	0.6	0.3	0.3	25.9	25.2	0.7	2.2	1.6	0.6	6.1	5.8	0.3
Hungary	-2.7	-3.3	0.6	-1.4	-1.8	0.4	77.2	78.9	-1.7	1.9	1.4	0.5	10.5	11.5	-1
Malta	-2.1	-3.6	1.5	-2.2	-3.7	1.5	74.2	74.9	-0.7	1.6	1.8	-0.2	6.4	6.1	0.3
Netherlands	-3	-3.6	0.6	-1.4	-2.3	0.9	75	75.8	-0.8	1.1	0.9	0.2	6.4	7.2	-0.8
Austria	-1.5	-1.8	0.3	-1.3	-1.7	0.4	73	73.7	-0.7	1.8	1.8	0	4.8	4.7	0.1
Poland	-3.3	-4.1	0.8	-2.0	-2.9	0.9	55.7	58.9	-3.2	2.5	2.2	0.3	11.0	11.4	-0.4
Portugal	-4	-4	0	-2.1	-2	-0.1	123.7	124.3	-0.6	0.6	0.6	0	18.5	18.5	0
Romania	-2	-2.4	0.4	-1	-1.4	0.4	38.5	38.5	0	2.2	2.2	0	6.8	6.8	0
Slovenia	-2.6	-4.9	2.3	-0.7	-3.3	2.6	63.2	66.5	-3.3	0.2	-0.1	0.3	10	10.3	-0.3
Slovakia	-2.6	-3.1	0.5	-2.5	-2.4	-0.1	56.3	56.7	-0.4	2.9	2.8	0.1	13.8	14.1	-0.3
Finland	-1.3	-1.5	0.2	-0.4	-0.5	0.1	57.3	57.7	-0.4	1.6	1	0.6	8.1	8	0.1
Sweden	-0.9	-0.4	-0.5	1.0	0.3	0.6	41.8	39	2.8	2.2	2.5	-0.3	8.4	8.1	0.3
UK	-6	-6.3	0.3	-3.4	-5.4	2	98.6	98.7	-0.1	1.8	1.7	0.1	8	7.9	0.1

Notes: Member State government forecast as included in SCP. COM: Commission spring 2013 forecast; pink/black indicates that the MS is more/less optimistic than the Commission forecast. Greece and Cyprus did not submit SCPs.

A second finding is that although nearly all Member States show **optimism about economic growth**, **forecasts for other indicators do not always seem to be in line** with such optimism. Among the governments expecting rosy growth prospects, a majority forecasts a smaller public deficit than the Commission. This is to be expected, as higher economic growth should result in increased tax revenue and lower expenditure. However, Luxembourg, Austria, Slovenia, Slovakia and Finland, while maintaining a rosy growth outlook, forecast a larger deficit than the Commission. Governments in these Member States probably assume a weaker relationship between the business cycle, tax revenue and expenditure.

Optimism about unemployment is not always coupled to optimism about economic growth, even though we would expect to see a negative relationship here (i.e. lower unemployment and higher growth). For most governments, the recovery is projected to be less labour-intensive than could be expected from past experiences.

Table 2b presents the national and Commission forecasts for 2014. In addition to Belgium, France, the Netherlands and Poland, three other Member States – Hungary, Italy and Slovenia – are more optimistic than the Commission on all five indicators. Table 2b shows as well that governments are generally **optimistic on the deficit** (16 optimistic and only 4 pessimistic) and, in particular, on the **structural deficit** (20 optimistic). Only Portugal, Slovakia and Finland are pessimistic on these indicators, while Denmark presents exactly the same forecast as the Commission[5]. In many cases, the differences are quite large, as is the case for Spain, Slovenia, France and Lithuania. The fact that even more Member States tend to be optimistic regarding the one-year-ahead forecast supports our previous explanation. Governments may use other approaches than the Commission in forecasting output growth, and therefore expect the economic recovery to be faster than the Commission predicts. This would result as well in a rapidly improving structural deficit. A comparison of the forecasts of potential output over longer time spans would be interesting in this regard.

As regards GDP growth, 13 governments express optimism while nine are pessimistic. Compared to the forecasts for 2013, seven Member States turned pessimistic on growth for 2014. Several reasons can be postulated to explain this divergence:

- **Political bias** - Governments present bright growth forecasts in the short term for political reasons. Optimistic forecasts for the current or next year suggest that no hard adjustments should be made in the short term and that they can be spread out over time. During the budget preparation for the next year, a new revised forecast can then be presented. Several papers have shown how unpleasant forecasts are held over to longer horizons, and how annual revisions of these forecasts make reaching certain budget targets challenging (Artis and Marcellino, 2001; Beetsma et al., 2009). One may wonder whether such forecasts are sufficiently forward-looking in the medium term. From a normative point of view, political bias could be avoided if an independent agency provided the forecasts.[6]

[5] The t-test on the differences between the national and Commission forecasts for the 2014 structural deficit shows that this is the only indicator that is significantly different in statistical terms (by 10 %).

[6] According to Regulation No 473/2013 on common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit of Member States in the euro area (part of the 'two-pack' initiative), national medium-term fiscal plans and draft budgets are to be based on independent macroeconomic forecasts. Independent forecasts are defined in the regulation as forecasts produced or endorsed by independent bodies. It will therefore be interesting to see if in the coming years there are smaller divergences between Commission and national forecasts.

- **Policy evaluation**: **Policy evaluation**: National forecasts are based on a ‘policy change’ scenario, while the Commission forecasts are not. This means that governments often include in their forecasts the outcomes of the policies which they plan to implement, and which may lead to higher growth. By contrast, the Commission forecasts are based on the assumption of ‘no policy change’, except when new measures have already been adopted. Hence, the optimistic forecast for growth given by a government can be justified as the outcome of the planned policy actions. However, their impact might be over-estimated, in both the short or in the long terms. Therefore, governments might be formally requested to provide an independent assessment of policy changes on macroeconomic forecasts.

- **The role of spillovers**: In contrast to the Commission forecasts, national forecasts do not take EU-wide developments fully into consideration. The Commission forecasts take into account changes in the overall monetary stance in the eurozone and the implementation of all national budgets. National forecasts are typically made under the assumption that external developments are exogenous. Although a majority of the SCPs include specific references to international conditions (such as economic growth in the main trading-partner countries, the nominal and real effective exchange rate of the euro, the US dollar/euro exchange rate, and the price of oil), they fall short of considering policies at the level of the eurozone. This discrepancy reflects the difference between viewing the EU as a single, large and relatively closed economy and viewing it as a set of individual and open economies. Uncoordinated forecasts by national governments may result in incorrect assumptions on the external environment. One may wonder whether it would not be best for national budgets to follow a common set of external assumptions, to be produced, for example, by the Commission. Coordination of such forecasts could potentially take into account all policy changes across the EU as a whole.

As was the case for 2013, the forecasts for 2014 display a lack of internal consistency in the projections for growth and nominal deficit and/or unemployment. Some governments presenting a rather rosy growth outlook expect a worsening of the deficit or a higher unemployment rate.

2. Involvement of national parliaments and social partners

c. *Methodology*

In order to increase the transparency, ownership and accountability of the SCP and NRP, and thereby of the decisions taken at EU level, national parliaments and social partners should be involved at the early stages of the European Semester. The relevant EU rules stipulate that the SCP and NRP shall explicitly mention whether the programmes were presented to the national parliaments and ‘whether the national parliament had the opportunity to discuss the Council’s opinion on the previous programme or, if relevant, any recommendation or warning, and whether there has been parliamentary approval of the programme'[7].

We examined the SCPs and NRPs for any explicit statement on the involvement of the national parliaments. We define **involvement** as a formal discussion, which may take the form of an information or consultation session or a debate in committee or in plenary, with or without a vote, on the **entire programme**. Hence, we did not consider as involvement the partial discussion or approval by a national parliament of any specific budget law or structural reform presented in the SCP or NRP. For those Member States where drafting of the SCP or NRP require the participation of regional parliaments or of local authorities, we took note of any information pertaining to this reported in the SCP or NRP.

Similarly, Regulation No 1175/2011 requires that relevant stakeholders, and in particular the social partners, should be involved in discussions on the main policy issues of the programmes. We scanned the SCP and NRP in order to identify any explicit reference to the involvement of social partners. We defined social partners as trade unions, employers' federations or any other group that may have been consulted or otherwise allowed to express its opinion on the SCP or NRP as a whole. We also considered specific references to the involvement of social partners in partial aspects of the programmes. When possible, we indicated whether the involvement referred to in the programme refers to trade unions, employers' federations or any other group.

d. *Results*

Table 3 below summarises the information on the involvement of national parliaments and social partners in each programme. Tables A1 and A2 in the annex present the textual references that we found in the SCPs and NRPs to the involvement of national parliaments and social partners respectively.

Despite the legal obligation to report on the involvement of national parliaments in the European Semester, the references found proved to be quite limited. Of the 25 SCPs, only 14 include an explicit reference to the participation of the national parliament in the procedure. Two governments, those of Italy and Bulgaria, explicitly state in their SCPs that they were unable to present the programme to their respective parliaments owing to the elections held in February and May 2013 respectively. This still leaves nine Member State SCPs having no explicit reference to a role played by the national parliament. There are two possible reasons for not reporting on a role for the national parliament:

1) There was no role for the national parliament at this stage of the European Semester, and the parliament was sidestepped or overlooked.
2) The fact of parliamentary involvement in the national budgetary procedure was considered to be so obvious that no need was felt to mention it formally.

We further note that only two governments (those of Belgium and Austria) made explicit reference to the involvement of regional and local authorities in the drafting of the SCP.

[7] Regulation No 1175/2011 amending Council Regulation (EC) No 1466/97 on the surveillance of budgetary positions and the surveillance and coordination of economic policies.

As far as the NRP is concerned, the involvement of national parliaments is even more limited: only 10 out of 27 Member States make an explicit reference to it, while 15 do not (including Italy and Bulgaria, where the aforementioned elections probably made it impossible for the parliaments to be consulted). However, many of the programmes include references to national parliaments discussing, amending or approving specific structural reforms.

Table 3 – Involvement of national parliament and social partners

Member State	**National parliament**		**Social partners**	
	SCP	NRP	SCP	NRP
Belgium				
Bulgaria	elections	elections		
Czech Republic				
Denmark				
Germany				
Estonia				
Ireland				
Greece				
Spain				
France				
Italy	elections	elections		
Cyprus				
Latvia				
Lithuania				
Luxembourg				
Hungary				
Malta				
Netherlands				
Austria				
Poland				
Portugal				
Romania				
Slovenia				
Slovakia				
Finland				
Sweden				
UK				

Notes: Red indicates no involvement, green indicates involvement; empty cells indicate that no programme was submitted; 'elections' indicates that the government could not submit the programme owing to the electoral calendar.

The involvement of social partners is limited and depends very much on national political arrangements. Given their different roles, it is not a surprise that social partners are more often involved in the NRP than in the SCP. Whereas only 2 of the 25 SCPs (from the Netherlands and Austria) refer to the social partners, they are mentioned in the NRPs of 18 Member States. While most of these do not provide details on the type of social partners consulted or informed, those of six Member States (Austria, Belgium, Denmark, France, the Netherlands and Poland) refer specifically to trade unions, employers' federations and NGOs. Not surprisingly, all six have a long tradition of involving social partners (mostly trade unions and employers' federations) in drafting – if not writing – legislation. Some Member States (mostly in eastern and southern

Europe; also the UK) do not provide any information on the role for social partners in the SCP or NRP.

3. Implementation of the Country-Specific Recommendations

a. Scope of the analysis

Each May the Commission proposes the annual CSRs on the basis of country-specific analyses and of the EU-wide policy priorities presented in the Annual Growth Survey. The CSRs are endorsed by the European Council and adopted by the Council at the end of the spring cycle of the European Semester in July.

The analysis of the follow-up to the CSRs by the national governments is a crucial part of the European Semester: as the CSRs are endorsed by the European Council and adopted by the Council, it is assumed that national governments will act on the basis of them in order to ensure that they are aligned with EU policy objectives.

Lack of progress within a given time-frame may give rise to warnings and, potentially (in the case of excessive macroeconomic imbalances or budget deficits), to sanctions. The assessment of progress on the implementation of the previous year's CSRs provides valuable input for the Commission in formulating the CSRs for the next European Semester cycle, for the Council in deciding whether to adopt the proposed CSRs, and for the political debate in general.

We examined the CSRs adopted by the Council during the 2012 Semester Cycle, and evaluated the progress that each Member State reported with regard to their implementation in the SCP and NRP.

Those Member States currently operating under a macroeconomic assistance programme – Greece, Portugal, Ireland and Romania – did not receive recommendations in 2012, as they were being monitored under macroeconomic adjustment programmes.

In order to be able to make a quantitative assessment of the implementation of the CSRs (as reported in the programmes), we first subdivided each CSR into more detailed recommendations and classified these in six policy domains. We then defined different degrees of possible implementation of the reported policy actions, and applied those definitions to the detailed recommendations. This approach (explained in detail in section 3c below) is similar, while not identical, to that used in the implementation assessment by the Commission's services (the Commission uses the categories 'no progress', 'limited progress', 'some progress', 'substantial progress' and 'full compliance'). It has to be underlined that the Commission services' assessment of implementation is based not only on the information contained in the programmes, but also on bilateral meetings and country visits. The outcomes of this briefing are, therefore, not directly comparable to the assessment done by the Commission, but can be seen as complementary to it. This briefing provides an evaluation of how much information the Member States included in their programmes as regards the implementation of CSRs.

b. The Country-Specific Recommendations in more detail

The CSRs issued during the 2012 European Semester contained a number of recommendations on various policy areas. The first recommendation was always related to the pursuit of budgetary stability, and included detailed recommendations regarding medium-term budgetary objectives, expenditure benchmarks or budgetary frameworks.

The content of the other recommendations varied across the Member States, and could refer to different policy actions on which governments were recommended to act. For example, a recommendation on labour market reform could contain specific recommendations to reform wage indexation systems, develop vocational training schemes to reduce youth unemployment, or improve the performance of public employment services.

The first column in table 4 below shows the total number of CSRs for each Member State: it ranges from 4 for Germany to 8 for Spain. The second column shows how many of the CSRs were issued under the Macroeconomic Imbalance Procedure (MIP): ten Member States were considered at risk of macroeconomic imbalances in 2012, and the number of MIP-recommendations ranged between 1 (Sweden) and 5 (Spain).

In order to analyse the CSRs and their implementation, we subdivided each CSR into specific sub-items. In the aforementioned labour market reform example, if a CSR (say the 3rd CSR) covered various aspects of labour market reform, we split it into CSR 3a on wage indexation, CSR 3b on vocational training and youth unemployment, and CSR 3c on public employment services. This classification helped in assessing the implementation but did not serve to account for the importance of the recommendation.

The detailed recommendations are presented in the country tables in the Appendix.

The third column in table 4 shows the number of detailed recommendations per Member State obtained by means of this subdivision. We observe much more variation in the number of detailed recommendations than in the number of CSRs: the number of detailed recommendations varies from 6 to 34. Spain (34), Bulgaria (30) and Italy and Poland (24) are the countries with the highest numbers of detailed recommendations, while the lowest numbers are observed for Denmark (14), Luxembourg (9) and Sweden (6). As there are 139 CSRs in total and we derived 438 detailed recommendations, each CSR contains on average about three detailed items.

Each of these 438 detailed recommendations was then classified into one of **six policy domains**: fiscal policy, labour market, social policy, market policy, environment and financial markets.

Arguably, these recommendations do not always belong to only one of these domains. For example, a recommendation to improve vocational training improves the functioning of the labour market, but has a social dimension as well. Nevertheless, we choose to order each detailed recommendation in a single domain, using the criteria set out below.

The domain of **fiscal policy** includes all recommendations having to do with making progress towards medium-term budgetary objectives (MTO) and ensuring the sustainability of public finances. It encompasses measures to reform public spending and taxation. The domain also covers recommendations regarding the setting-up of fiscal rules or a fiscal council, the control of regional budgets, and measures to improve budget reporting.

The **labour market** domain includes all recommendations regarding reforms of the structure of labour markets, such as those addressing the wage bargaining system, labour productivity, unemployment (in particular amongst the elderly and young people), active labour market policies and participation rates (employment of older or younger people, or discrimination against women and migrants).

The **social policy** domain includes recommendations, under the EU strategy for socially inclusive growth, that aim to improve economic and social conditions by means of measures to promote education and combat poverty and discrimination.

The **market policy** domain includes recommendations pertaining to efforts to improve the functioning of markets in goods and services (e.g. liberalisation of markets in products and services), international cooperation, innovation and research, legal frameworks and the quality of public administration.

The **environment** domain encompasses all issues pertaining to environmental policies, with special focus on the reduction of carbon emissions and more efficient energy use.

Finally, the **financial market** domain includes all recommendations that have to do with the banking sector (e.g. supervision) and with rules that may determine the financial stability of the country (private sector debt, private sector credit flow and the functioning of the housing market).

In the country tables in the Appendix, detailed classification per domain is presented for each CSR. Table 5 below summarises this information and shows the number of detailed recommendations in each domain per country. The largest numbers of recommendations were issued in the domains of **fiscal policy** (153), **labour markets** (106) and **market policy** (100), while recommendations on **social policy** (45), **financial markets** (26) and **environmental issues** (8) were less frequent. Recommendations on fiscal policy and labour markets made up more than half of the total in each country, Bulgaria, Denmark and the UK excepted.

Table 4 – Overview of CSRs and of detailed recommendations

Member State	number of CSR	of which MIP	number of detailed recommendations
Belgium	7	4	21
Bulgaria	7	2	30
Czech Republic	6	0	19
Denmark	5	3	14
Germany	4	0	16
Estonia	5	0	19
Spain	8	5	34
France	5	3	18
Italy	6	4	24
Cyprus	7	3	17
Latvia	7	0	21
Lithuania	6	0	19
Luxembourg	5	0	9
Hungary	7	4	20
Malta	6	0	18
Netherlands	5	0	15
Austria	7	0	21
Poland	6	0	24
Slovenia	7	3	19
Slovakia	7	0	24
Finland	6	0	15
Sweden	4	1	6
UK	6	3	15
Sum	139	35	438

Notes: CSRs related to MIPs (Macroeconomic Imbalance Procedures) are only available for countries considered in the Commission's 2012 in-depth reviews to be at risk of macroeconomic imbalances.

Table 5 below also shows some variation across countries by policy domain:

1. In the domain of fiscal policy, Slovakia and Spain received the highest number of recommendations. For both countries, fiscal policy is also the domain with the most frequent number of recommendations (about one third of the total in Spain, and over one half in Slovakia).
2. Spain also has the highest number of recommendations on labour market issues. Belgium, Luxembourg, France and Sweden also received a high number of recommendations in this area.
3. While measures to open up markets further were requested of all but one Member State[8], the country which received most recommendations to introduce measures aimed at market liberalisation and improvements in public administration was Bulgaria. The Czech Republic, Lithuania and Finland also received a relatively high number of recommendations in this domain.

[8] Only Luxembourg did not receive any recommendation at all in this domain.

Table 5 – Overview of detailed recommendations classified according to domain

Member State	fiscal policy	labour market policy	social policy	market policy	environment	financial markets
Belgium	7	8	0	3	2	1
Bulgaria	7	3	7	13	0	0
Czech Republic	5	5	3	6	0	0
Denmark	2	3	3	3	0	3
Germany	7	2	2	3	0	2
Estonia	7	3	4	3	2	0
Spain	11	11	2	6	0	4
France	6	6	1	5	0	0
Italy	9	6	2	7	0	0
Latvia	7	3	4	6	1	0
Lithuania	9	4	0	6	0	0
Luxembourg	2	6	0	0	1	0
Hungary	8	4	2	6	0	0
Malta	8	5	1	1	1	2
Netherlands	7	2	0	3	0	3
Austria	8	6	2	3	0	2
Poland	9	4	3	7	1	0
Slovenia	6	5	1	4	0	3
Slovakia	13	6	3	2	0	0
Finland	4	6	0	5	0	0
Sweden	1	2	0	1	0	2
UK	3	3	3	4	0	2
sum	153	106	45	100	8	26
average	6.65	4.61	1.96	4.35	0.35	1.13

4. Bulgaria also received the highest number of recommendations on social policy, followed by Estonia. Latvia, Poland and Slovakia were also asked to make efforts in this area.
5. There were few recommendations in the area of environmental policy, and only Belgium and Estonia were requested to make progress on at least two actions.
6. In the domain of financial markets, the recommendations focused on a small number of countries. Spain was recommended to take action on four issues, and the Netherlands, Denmark and Slovenia on three each. Other countries received a number of recommendations on financial markets: Sweden received only six detailed recommendations in total, but two of them referred to financial markets.

c. *Reported implementation of the CSRs*

On the basis of the detailed recommendations, we analysed the 2013 NRPs to identify the policy actions that national governments reported with a view to implementation of the 2012 recommendations. Member State governments provided information on each of the CSRs issued in 2012. In general, replies to the first recommendation on budgetary stability were presented in the SCPs, while information referring to the other CSRs was included in the NRPs.[9]

Measuring progress in the implementation of the CSRs requires a clear definition of the action as well as indicators as to its extent and timing. Various measures were considered as policy actions. These include laws, amendments to laws, and similar legal measures, such as decrees, ordinances and administrative changes, as well as measures that do not require legal change, such as action plans and government agreements with regions, social partners and other countries.

We classified policy actions in **five categories of implementation**:

1) **Not done**: the government
   a) does not mention any action taken in response to the recommendation; or
   b) refutes the interpretation of the detailed recommendation as being incorrect or irrelevant.
2) **Not specified:** the government
   a) indicates that some action has been taken but does not provide any details of its nature.
3) **Promise**: the government
   a) has set up a committee, commission or working group to discuss the implementation of the CSR; or
   b) declares that it is considering the CSR or that it plans to consider it in the future; or
   c) declares its commitment to implement the measure but has taken no specific steps to do so.
4) **Partially implemented**: the government
   a) has made a commitment to implement the measure and has begun to do so but implementation is still on-going (e.g. when some – but not all – necessary legal measures have been taken).
5) **Done**: the government
   a) has fully implemented the measure, i.e. all legal changes have been introduced.

Our analysis was limited to evaluating those measures that are mentioned or announced in the NRP and that are under the direct control of the government. The aim was not to verify whether the policy actions in question have actually been implemented or to check if the objectives of a certain measure have been achieved. To exemplify, if a given recommendation required a reduction of youth unemployment, we did not measure progress in terms of actual reduction, but took note of the actions that the government had reportedly taken to achieve this goal.

We synthesised the information available in the NRP by classifying each detailed recommendation in a single implementation category. For example, suppose that, in the case of a detailed recommendation requiring the pension system to be changed by means of raising and adapting the indexation of the retirement age, the NRP states that the government has initiated two measures. One is a legislative change altering the retirement age, already approved by parliament; the other is a proposal to modify the contribution system, still under discussion with the social partners. In this example, the recommendation would be considered as *partially implemented*. The country-tables in

[9] Most governments submitted their NRPs in a standardised format. This begins with a general macroeconomic outlook, followed by: (i) a detailed reply to each of the CSRs; (ii) a discussion of the Europe 2020 targets; and (iii) a summary of all measures, presented in the form of detailed tables.

the Appendix provide additional information on each of the actions taken, report the exact wording presented in the programmes, and allow for detailed analyses. In the example above, the country table in the Appendix reports both the legislative change and the discussion with the social partners.

Where the government has taken several actions, each at a different stage of implementation, we chose a classification corresponding to the average stage of implementation. Consider the example above regarding the recommendation on pension system reform: since the government introduced a legislative change, as well a legislative proposal still under discussion, the pension reform was classified as *partially implemented* – the law was not yet implemented but some progress had been made. This evaluation was based on an assessment of the overall progress in the area and required a certain subjective element.

In order to measure progress, we also checked the timing of each policy action. The state of progress was assessed by establishing whether each measure was implemented in 2012 or before, or whether it is planned to be introduced in 2013 or in the future (in which case we indicated the range over which the actions are planned).

It should be noted that we did not consider references in the NRPs to action taken by governments in other fields. Most NRPs report in detail not only on the CSRs and concomitant government action but also on other actions or reforms not necessarily related to the CSRs. For some countries (Spain, Italy and Belgium), this additional information is quite substantial. This information was ignored in the analysis as it does not strictly pertain to the implementation of the CSRs.

As the NRPs provide the link between EU priorities and national policymaking, some explicit mention of the EU goals concerned may be expected in references to the different measures adopted. We therefore looked for indications that the reporting government has taken the EU-wide consequences of its actions into consideration. As it happens, we found hardly any such indications. Apart from a general description of the current economic situation in Europe and the policies agreed on at EU level, the potential impact of a given measure on other Member States is only mentioned when there is a specific request for cross-border bilateral agreement, as in the field of energy or banking supervision, or when the progress is presented relative to a European benchmark under the Europe 2020 strategy. It appears, therefore, that the Member States did not view their reform measures as having any relevance at EU level, or consider the possibility that the lack of implementation could have negative consequences for the EU. Even in fields with obvious links to area-wide consequences (banking) or to global problems (climate change), only a few general remarks have been noted. While the comment that measures in the banking sector are in line with EU recommendations occurs frequently in the NRPs, the implications of (not) implementing this measure is not explained.

The country tables in the Appendix display, for each detailed recommendation, the type of measures undertaken, the year of (planned) implementation, the state of implementation, and further information.

Table 6 summarises the **state of implementation** of the detailed recommendations. The bottom row shows that, on average, 35 % of the detailed recommendations have been implemented and 32 % have been at least partially implemented, indicating that nearly two thirds of all measures are on track. A further 22 % are to be carried out in keeping with pledges made, leaving only 11 % not specified in the NRPs or not followed up at all.

Although the overall outlook appears satisfactory at first glance, these averages conceal wide differences in the degree of implementation across Member States, as some have made much less progress than others. Only nine Member States have fully implemented more than half of the detailed recommendations. Of the remaining 14, 23 have not fully implemented any measure (Estonia, Germany and the UK). However, the picture is not as negative when percentages of partially implemented measures are taken into account. Only four Member States have been unable to implement, fully or partially, half of the measures (as summed up in the last two columns in table 6: Estonia (26 %), Germany (31 %), Poland (42 %) and the Czech Republic (48 %)).

Most Member States have begun to take a substantial number of policy actions, but many have not been fully implemented. This is the case for Belgium[10], Bulgaria, Hungary, and Malta. The time-frame over which actions can be fully implemented seems to vary across countries, owing to such factors as the electoral calendar, the degree of complexity of the reform in question, institutional structures, etc.

Some Member States have moved forward with most of the recommendations. Finland, Latvia, Sweden, Italy, Cyprus, Austria and Belgium have begun to implement more than 80 % of all detailed recommendations, and Luxembourg has partially or fully implemented 100 % of all measures.

Some Member States made specific reference to the recommendations when planning their implementation in the near to long-term future: *promised reforms* are either at the planning or the discussion stage, or are still under negotiation. Six Member States have pledged future implementation of many of the recommendations: Estonia, Germany, the Czech Republic, the Netherlands, Malta and Poland.

Again, a number of reasons may account for the variation across Member States. For some, the electoral calendar may slow down the execution of the recommendations, while in others it may take time for a new government to begin implementing the planned measures. The complexity of the reform, or the conduct of negotiations within the national framework, may also prolong the implementation process. For example, abolishing restrictions applying to some professions is easier than overhauling the judiciary system. However, there is little evidence of differences in the status of implementation across policy domains.

[10] The Belgian government has begun to implement more than 80 % of all detailed CSRs.

Table 6 – Overview of detailed recommendations classified by status of implementation: total number and frequency (%)

Member State	total number	*not done*	*not specified*	*promised*	*partially implemented*	*done*
Belgium	21	14	5	0	67	14
Bulgaria	30	17	3	13	47	20
Czech Republic	19	0	0	53	16	32
Denmark	14	14	0	29	0	57
Germany	16	6	19	44	31	0
Estonia	19	11	0	63	26	0
Spain	34	3	0	29	12	56
France	18	0	11	22	50	17
Italy	24	0	0	17	38	46
Cyprus	17	12	0	6	29	53
Latvia	21	0	5	10	48	38
Lithuania	19	11	5	11	21	53
Luxembourg	9	0	0	0	11	89
Hungary	20	5	15	25	40	15
Malta	18	6	0	39	44	11
Netherlands	15	0	7	40	13	40
Austria	21	5	5	10	24	57
Poland	24	17	4	38	38	4
Slovenia	19	5	11	11	11	63
Slovakia	24	0	0	29	38	33
Finland	15	0	0	13	40	47
Sweden	6	0	17	0	17	67
UK	15	0	13	13	73	0
average	19	6	5	22	32	35

Table A3 in the annex presents the degree of progress across the six policy domains for each country, and table 7 below shows the average (percentage) degree of implementation by policy domain. In general, progress with policy actions turns out to be quite uniform across domains. The majority of actions correspond to completion or at least partial implementation of the recommendations. Only in the domain of social policies are nearly half of all actions shifted to a future agenda as promises. The reason may be that not all social policy measures can be introduced at once, and that they require prior negotiation with social partners. However, a similar delay in labour market policy cannot be detected, even if the social partners supposedly have a larger voice in this area. By contrast, measures on financial markets and the environment have been fully or partially implemented in a majority of cases.

Table 7 – Overview of detailed recommendations, by state of implementation and by domain (%)

Member State	not done	not specified	promised	partially implemented	done
fiscal policy	8	8	23	21	39
labour market policy	5	4	18	41	33
social policy	0	2	44	38	16
market policy	7	1	23	41	28
environment	0	0	13	63	25
financial markets	4	4	15	23	54
total	6	5	22	32	35

4. Conclusions

The aim of this briefing paper is to analyse the EU dimension in the national programmes submitted by Member States in the framework of the European Semester 2013. The methodological framework provides summary measures to analyse and compare, in a coherent way, specific information contained in the SCPs and NRPs. We focused on three aspects of these programmes: the macroeconomic forecasts, the involvement of national parliaments and social partners in the design of the programmes, and measurement of the progress made in the implementation of the 2012 CSRs. All this was done using only information provided by the Member States in their SCP and NRP.

The main results of this analysis are threefold.

First, evidence suggests that governments produced optimistic forecasts on growth and the (structural) fiscal balance, assuming a relatively fast economic recovery. Some of these forecasts are internally inconsistent.

Second, budgeting procedures require that national parliaments be involved in the discussions of the SCP, but their participation was often not invoked or mentioned in the SCP. This was even less the case for the NRP. Social partners were consulted for the NRP, but their actual participation varies across Member States.

Finally, progress in the implementation of the country-specific recommendations has been substantial, in general terms. Overall, we found that policy actions, as presented by the Member States in their programmes, addressed roughly two thirds of the recommendations, even if the performance was unequal across Member States. However, the follow-up was rather uniform across different policy domains.

On the basis of the evidence presented in this briefing paper, we suggest the following policy recommendations to improve the Semester Cycle:

As the forecasts are subject to bias, a more consistent explanation of the underlying methodologies should be published in the SCP and NRP.[11] In particular, the SCP should document the following aspects of the forecasting exercise: (i) the assumptions and methods underlying the calculation of potential output; (ii) the spillover effects of the global economy, of the impact of policies in other Member States and of EU policies on the domestic economy; and (iii) clarification of whether forecasts are made under the assumption of a policy change or not. Furthermore, if internal inconsistencies are likely

[11] As mentioned in Directive 2011/85/EU on requirements for budgetary frameworks of the Member States.

to reflect political bias, forecasts should preferably be checked or produced by an independent agency (as required in the legislation on economic governance).

The involvement of national parliaments is of key importance in implementing EU policies at the national level. A lack of involvement of parliament – and of social partners – at the earliest stages of the European budget cycle poses a threat to the accountability of EU policy measures. Parliaments should be more actively involved in the decision-making process and should seek also to take the European dimension into account in their policy deliberations.

Measuring the follow-up of the CSRs is a crucial task in ensuring the effectiveness of the European Semester process. A publicly available measure of progress in different policy areas would serve as an indicator of success, not just for the Commission in its preparation of new recommendations, but also for parliaments and in the wider political debate.

This study was limited in scope, as it analysed a single European Semester cycle. An annual follow-up would enable a deeper analysis of the issues explored here, including the evaluation of forecast performances and biases in budget forecasting (following other econometric studies, e.g. Artis and Marcellino, 2001; Cimadomo, 2012). Further insights could be obtained from the information available in the programmes. For instance, an evaluation of the uncertainty surrounding the economic forecasts, presented as different scenarios in the SCP and NRP, would allow an appreciation of the up- and downside risks, and would be likely to transform the discussion of forecast outcomes into a fruitful debate on assumptions and scenarios. In addition, it would be useful to continue the work on a coherent methodology aimed at assessing the implementation of the agreed commitment in the Semester framework.

5. References

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ANNEXES

Table A1 - Involvement of national parliaments

	SCP	NRP
Belgium	Discussed with the Communities and Regions at the Inter-ministerial Conference on finance and the budget on 26 April. It was presented to the Federal parliament on that same date.	This programme has been established thanks to close collaboration between the federal Government and the governments of the Regions and the Communities. … The National Reform Programme was also discussed in the federal parliament.
Bulgaria	Approved by the government and is discussed by the National Assembly. Given the fact that the President of the Republic of Bulgaria has dissolved the National Assembly and set the date for parliamentary elections on 12 May 2013, the present SCP update will not be tabled for discussion in parliament.	Approved by the government and is discussed by the National Assembly. Given the fact that the President of the Republic of Bulgaria has dissolved the National Assembly and set the date for parliamentary elections on 12 May 2013, the present SCP update will not be tabled for discussion in parliament.
Czech Republic	In April, the document was presented and discussed with the substantively relevant committees of the Chamber of Deputies and the Senate.	No reference to the involvement of the national parliament could be found
Denmark	No reference to the involvement of the national parliament could be found	The Danish Parliament has had the opportunity to discuss the recommendations given to Denmark in relation to the European Semester 2012. Denmark's National Reform Programme 2013 has also been sent to a number of committees in the Danish Parliament prior to being forwarded to the Commission.
Germany	The Federal Government submits each update of the German SCP and the corresponding Council Opinion on the updated German SCP to the competent expert committees of the German Bundestag as well as to the Finance Minister Conference (Finanzministerkonferenz) and the Stability Council (Stabilitätsrat). The Bundestag and Bundesrat had the opportunity to deliberate on both the Council Recommendation of 10 July 2012 regarding Germany's 2012 National Reform Programme as well as the Council opinion on Germany's Stability Programme for 2012-2016	Immediately following its adoption by the Federal Government, the NRP was presented to the German Bundestag and Bundesrat.
Estonia	No reference to the involvement of the national parliament could be found	No reference to the involvement of the national parliament could be found
Ireland	No reference to the involvement of the national parliament could be found	No reference to the involvement of the national parliament could be found

Greece	No programme	No reference to the involvement of the national parliament could be found
Spain	No reference to the involvement of the national parliament could be found	No reference to the involvement of the national parliament could be found. Regional parliaments had an important role in the development of the Programme.
France	By law, the Programme has to be debated and voted in Parliament at least 2 weeks before it is sent to the CE. This occurred in the Assemblée Nationale on April 23rd, and in the Senate on April 24th	The Programme has been sent to the Assemblée Nationale and the Senate on April 17th, before being sent to the CE
Italy	The Programme mentions that due to the elections of February 24th, the Parliament could not give its advice	No reference to the involvement of the national parliament could be found
Cyprus	No programme	No reference to the involvement of the national parliament could be found
Latvia	The Programme has been presented in and approved in the respective Saeima's committees	The NRP are discussed on a regular basis by involving representatives of the Saeima, social partners, non-governmental organisations and the civil society
Lithuania	Approved by Resolution No XII-51 of the Seimas of the Republic of Lithuania of 13 December 2012	No reference to the involvement of the national parliament could be found
Luxembourg	The Chambre des Députés now intervenes earlier in budget procedures, via debates on the budget orientations and regular information by the Minister of Firance in the Finance and Budget Commission of the Chambre	No reference to the involvement of the national parliament could be found
Hungary	No reference to the involvement of the national parliament could be found	No reference to the involvement of the national parliament could be found
Malta	No reference to the involvement of the national parliament could be found	No reference to the involvement of the national parliament could be found
Netherlands	No reference to the involvement of the national parliament could be found	No reference to the involvement of the national parliament could be found
Austria	Programme transmitted to the Nationalrat, and to the regional and local authorities (Finanzausgleichspartner)	Programme transmitted to the social partner
Poland	The Council Opinion on this Programme as well as Council recommendations on the NRP 2012 will be discussed by the Polish Parliament.	Trying to ensure that the Parliament, representatives of the local self-government participate in the process of NRP update
Portugal	No reference to the involvement of the national parliament could be found	No reference to the involvement of the national parliament could be found
Romania	No reference to the involvement of the National Parliament could be found	No reference to the involvement of the National Parliament could be found
Slovenia	The Programme is discussed in the working bodies of the Parliament	The draft document was considered at the session of the Economic and Social Council and the following committees of the National Assembly: Committee on Finance and Monetary Policy, the Committee on the Economy, Committee on Education, Science, Sport and Youth, the Committee on Labour, Family, Social

		Policy and Disability and the Committee on EU Affairs.
Slovakia	The Programme is submitted to the Parliament	The Programme can be commented by all stakeholders
Finland	The contents of the Stability Programme have also been presented in writing and orally to the Grand Committee of Parliament.	Ensure that Parliament has the opportunity to affect the content of decisions made in the EU. Parliament participates in the forming of national position during the entire preparation and negotiation process taking place in the EU.
Sweden	The Riksdag's Standing Committee on Finance was informed about the convergence programme on 18 April 2013	The Riksdag's Standing Committee on Finance has been informed about the national reform programme.
UK	The House of Commons debated the UK's 2013 Convergence Programme (22 April 2013). The House of Lords debated the UK's 2013 Convergence Programme (25 April 2013). There are several references to the implication of regional governments.	No specific reference to the involvement of the national parliament could be found There are several references to the implication of regional governments.

Table A2 - Involvement of social partners

	SCP	NRP
Belgium	No reference to the involvement of social partners could be found	On several occasions, the social partners and civil society were also involved in drafting the programme and monitoring its progress.
Bulgaria	No reference to the involvement of social partners could be found	No reference to the involvement of social partners could be found
Czech Republic	No reference to the involvement of social partners could be found	No reference to the involvement of social partners could be found
Denmark	No reference to the involvement of social partners could be found	The Contact Committee for the Europe 2020 strategy, regional and local authorities as well as a broad range of interest organisations are kept closely and continuously informed about the European growth and employment agenda and the development of the European Semester, as well as involved in the preparation of the national reform programme.
Germany	No reference to the involvement of social partners could be found	Several economic and social organizations (trade unions, employers, civil society groups) work together with the government
Estonia	No reference to the involvement of social partners could be found	The Programme is prepared in cooperation with all important partners as well as a wider circle of interested people through the engagement web.
Ireland	No reference to the involvement of social partners could be found	Only mentioned when a specific reform requires involvement
Greece	No programme	Only mentioned when a specific reform requires involvement
Spain	No reference to the involvement of social partners could be found	Trade unions had an important role in the development of the Programme.
France	No reference to the involvement of social partners could be found	There has been extensive consultation of different partners (local communities, the Economic, Social and Environmental Council, social partners in the Committee for European Social Dialogue and the National Council for Combatting Poverty and Social Exclusion
Italy	No reference to the involvement of social partners could be found	No reference to the involvement of social partners could be found
Cyprus	No programme	No reference to the involvement of the national parliament could be found

Latvia	No reference to the involvement of social partners could be found	The Progress Report on the Implementation of the NRP was prepared by the Employers' Confederation of Latvia, the Free Trade Union Confederation of Latvia, the Latvian Chamber of Commerce and Industry and the Latvian Association of Local and Regional Governments. The NRP is discussed on a regular basis by involving representatives of the Saeima, social partners, non-governmental organisations and the civil society
Lithuania	No reference to the involvement of social partners could be found	With a view to including social and economic partners in the process, offers received from public organisations representing different interest groups, social and economic partners were taken into consideration during the preparation process of the National Reform Programme 2013.
Luxembourg	No reference to the involvement of social partners could be found	The NRP has been subjected to intensive consultations.
Hungary	No reference to the involvement of social partners could be found	The government called the ministers to involve the appropriate social partners in the preparation of the measures of in their respected fields. the involvement of the professional and non-governmental organizations was crucial, in line with the previous years' practice and the recommendations of the European Commission
Malta	No reference to the involvement of social partners could be found	The Policy Development Directorate (PDD) within the Ministry of Finance is responsible for drafting the NRP and co-ordinating the required input from the other key stakeholders.
Netherlands	The National Reform Programme was submitted to parliament before it was sent to the European Commission. As a rule, a debate is arranged between the Minister of Economic Affairs and parliament on the National Reform Programme.	Social partners, local authorities and non-governmental organizations. were consulted during the drafting of the Programme. Others who were consulted include the European Anti-Poverty Network (EAPN) and the Social Alliance (a network of about 60 organizations engaged in combating poverty and social exclusion)
Austria	The Programme was presented to the Austrian Nationalrat. Within their areas of responsibility, the provincial and local governments not only contribute to reaching the national Europe 2020 targets but also drive the implementation of country-specific recommendations.	The Federal Chancellery commissioned a study which aims to analyse the participation opportunities for NGOs more thoroughly.

Poland	No reference to the involvement of social partners could be found	trying to ensure that the … widest possible scope of stakeholders from the areas of economy, science and civil society participate in the process of NRP update (entrepreneurs' organisations, labour unions, economic and agricultural chambers, non-governmental organisations and research and scientific institutions)
Portugal	Only mentioned when a specific reform requires involvement	Only mentioned when a specific reform requires involvement
Romania	No reference to the involvement of social partners could be found	No reference to the involvement of social partners could be found
Slovenia	No reference to the involvement of social partners could be found	The draft document was considered at the session of the Economic and Social Council
Slovakia	Only mentioned when a specific reform requires involvement	All stakeholders, including the public, are free to comment on the Programme
Finland	Only mentioned when a specific reform requires involvement	The programme will also be presented to social partners in conjunction with the EU procedures
Sweden	Only mentioned when a specific reform requires involvement	Regular consultations take place between the Government and the social partners on matters associated with the Europe 2020 Strategy, as well as other EU matters that concern the social partners. The social partners have been invited to contribute to next year's national reform programme at these consultation meetings.
UK	No reference to the involvement of social partners could be found	No reference to the involvement of social partners could be found

Table A3 - Detailed CSR by country, status of implementation and domain

Country	Domain	total	*not done*	*not specified*	*promise*	*partially implemented*	*done*
Belgium	fiscal policy	7	1	1	0	4	1
	labour market policy	8	2	0	0	6	0
	social policy	0	0	0	0	0	0
	market policy	3	0	0	0	2	1
	Environment	2	0	0	0	2	0
	financial markets	1	0	0	0	0	1
Bulgaria	fiscal policy	7	3	1	0	3	0
	labour market policy	3	0	0	2	1	0
	social policy	7	0	0	2	4	1
	market policy	13	2	0	0	6	5
	Environment	0	0	0	0	0	0
	financial markets	0	0	0	0	0	0
Czech Republic	fiscal policy	5	0	0	2	1	2
	labour market policy	5	0	0	1	2	2
	social policy	3	0	0	3	0	0
	market policy	6	0	0	4	0	2
	environment	0	0	0	0	0	0
	financial markets	0	0	0	0	0	0
Denmark	fiscal policy	2	0	0	0	0	2
	labour market policy	3	0	0	1	0	2
	social policy	3	0	0	2	0	1
	market policy	3	1	0	1	0	1
	environment	0	0	0	0	0	0
	financial markets	3	1	0	0	0	2
Germany	fiscal policy	7	0	1	2	4	0
	labour market policy	2	1	0	0	1	0
	social policy	2	0	1	1	0	0
	market policy	3	0	0	3	0	0
	environment	0	0	0	0	0	0
	financial markets	2	0	1	1	0	0
Estonia	fiscal policy	7	1	0	5	1	0
	labour market policy	3	0	0	2	1	0
	social policy	4	0	0	4	0	0
	market policy	3	1	0	1	1	0
	environment	2	0	0	0	2	0
	financial markets	0	0	0	0	0	0
Spain	fiscal policy	11	0	0	1	2	8
	labour market policy	11	1	0	5	0	5
	social policy	2	0	0	1	1	0
	market policy	6	0	0	3	1	2
	environment	0	0	0	0	0	0
	financial markets	4	0	0	0	0	4

Country	domain	total	*not done*	*not specified*	*promise*	*partially implemented*	*done*
France	fiscal policy	6	0	0	2	2	2
	labour market policy	6	0	1	1	3	1
	social policy	1	0	0	1	0	0
	market policy	5	0	1	0	4	0
	environment	0	0	0	0	0	0
	financial markets	0	0	0	0	0	0
Italy	fiscal policy	9	0	0	2	1	6
	labour market policy	6	0	0	0	2	4
	social policy	2	0	0	1	1	0
	market policy	7	0	0	1	5	1
	environment	0	0	0	0	0	0
	financial markets	0	0	0	0	0	0
Cyprus	fiscal policy	7	1	0	0	0	6
	labour market policy	3	0	0	1	1	1
	social policy	2	0	0	0	1	1
	market policy	3	1	0	0	2	0
	environment	0	0	0	0	0	0
	financial markets	2	0	0	0	1	1
Latvia	fiscal policy	7	0	1	0	1	5
	labour market policy	3	0	0	0	3	0
	social policy	4	0	0	1	2	1
	market policy	6	0	0	1	4	1
	environment	1	0	0	0	0	1
	financial markets	0	0	0	0	0	0
Lithuania	fiscal policy	9	2	1	1	2	3
	labour market policy	4	0	0	1	1	2
	social policy	0	0	0	0	0	0
	market policy	6	0	0	0	1	5
	environment	0	0	0	0	0	0
	financial markets	0	0	0	0	0	0
Luxembourg	fiscal policy	2	0	0	0	0	2
	labour market policy	6	0	0	0	1	5
	social policy	0	0	0	0	0	0
	market policy	0	0	0	0	0	0
	environment	1	0	0	0	0	1
	financial markets	0	0	0	0	0	0
Hungary	fiscal policy	8	0	3	3	0	2
	labour market policy	4	0	0	1	3	0
	social policy	2	0	0	0	2	0
	market policy	6	1	0	1	3	1
	environment	0	0	0	0	0	0
	financial markets	0	0	0	0	0	0

Country	domain	total	*not done*	*not specified*	*promise*	*partially implemented*	*done*
Malta	fiscal policy	8	0	0	6	1	1
	labour market policy	5	1	0	1	3	0
	social policy	1	0	0	0	0	1
	market policy	1	0	0	0	1	0
	environment	1	0	0	0	1	0
	financial markets	2	0	0	0	2	0
Netherlands	fiscal policy	7	0	1	2	1	3
	labour market policy	2	0	0	2	0	0
	social policy	0	0	0	0	0	0
	market policy	3	0	0	0	1	2
	environment	0	0	0	0	0	0
	financial markets	3	0	0	2	0	1
Austria	fiscal policy	8	1	0	2	1	4
	labour market policy	6	0	1	0	1	4
	social policy	2	0	0	0	0	2
	market policy	3	0	0	0	2	1
	environment	0	0	0	0	0	0
	financial markets	2	0	0	0	1	1
Poland	fiscal policy	9	4	1	1	2	1
	labour market policy	4	0	0	0	4	0
	social policy	3	0	0	2	1	0
	market policy	7	0	0	5	2	0
	environment	1	0	0	1	0	0
	financial markets	0	0	0	0	0	0
Slovenia	fiscal policy	6	0	1	1	0	4
	labour market policy	5	0	1	0	1	3
	social policy	1	0	0	1	0	0
	market policy	4	1	0	0	0	3
	environment	0	0	0	0	0	0
	financial markets	3	0	0	0	1	2
Slovakia	fiscal policy	13	0	0	5	2	6
	labour market policy	6	0	0	0	4	2
	social policy	3	0	0	1	2	0
	market policy	2	0	0	1	1	0
	environment	0	0	0	0	0	0
	financial markets	0	0	0	0	0	0
Finland	fiscal policy	4	0	0	0	2	2
	labour market policy	6	0	0	1	2	3
	social policy	0	0	0	0	0	0
	market policy	5	0	0	1	2	2
	environment	0	0	0	0	0	0
	financial markets	0	0	0	0	0	0

Country	domain	total	*not done*	*not specified*	*promise*	*partially implemented*	*done*
Sweden	fiscal policy	1	0	1	0	0	0
	labour market policy	2	0	0	0	1	1
	social policy	0	0	0	0	0	0
	market policy	1	0	0	0	0	1
	environment	0	0	0	0	0	0
	financial markets	2	0	0	0	0	2
UK	fiscal policy	3	0	1	0	2	0
	labour market policy	3	0	1	0	2	0
	social policy	3	0	0	0	3	0
	market policy	4	0	0	1	3	0
	environment	0	0	0	0	0	0
	financial markets	2	0	0	1	1	0

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