

Chapter 17: Economic and Monetary policy (EMP)

Participation in the procedure of coordination of economic policies

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***Screening with Croatia and Turkey
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Main issues

- **Institutional settings for economic policy coordination**
- **Broad Economic Policy Guidelines**
- **Multilateral surveillance**

Economic policy coordination: the context

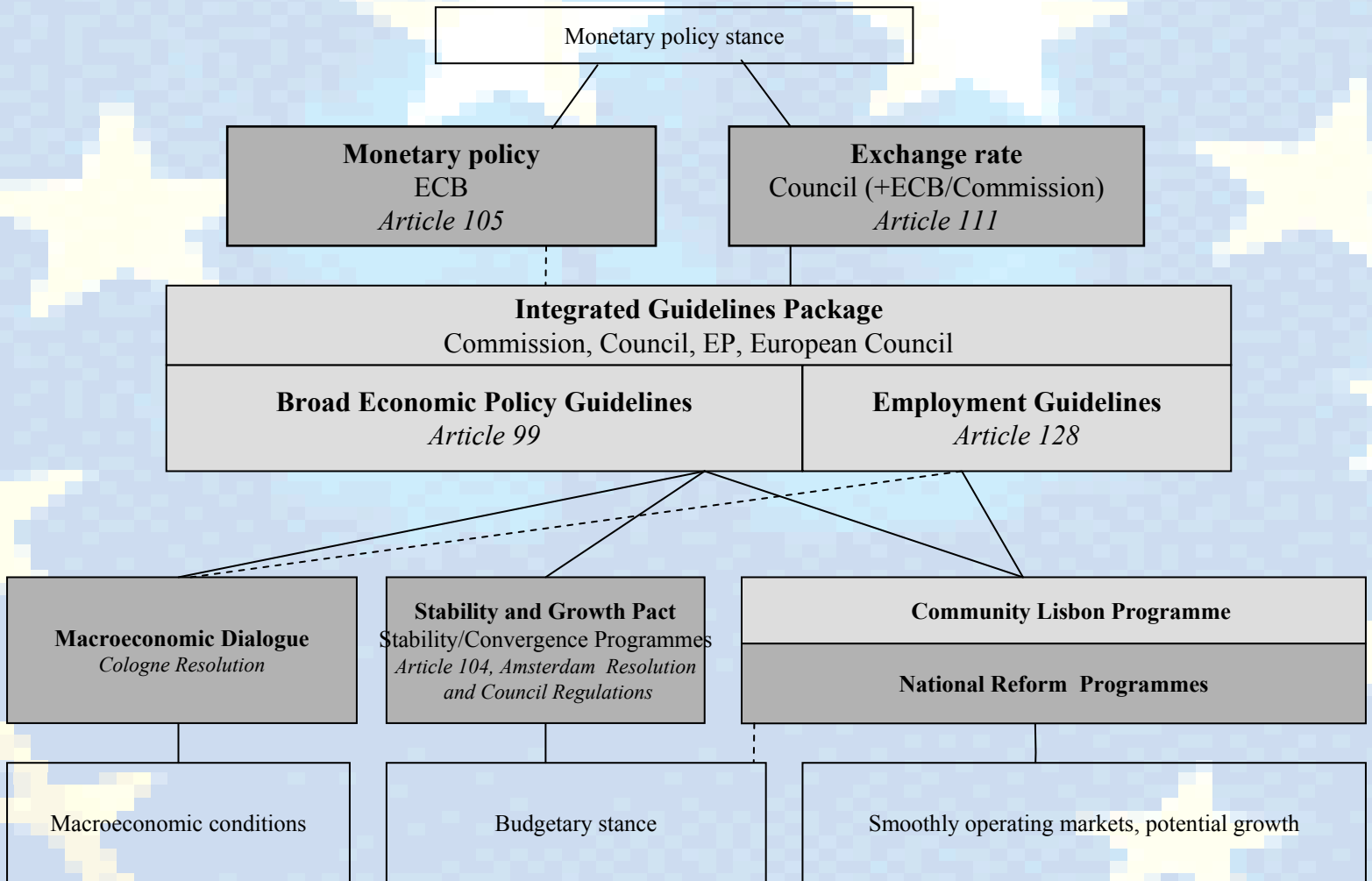
2005 mid-term review of the Lisbon strategy

Focus on growth and employment

Priority areas:

- Make Europe a more attractive place to invest and work
- Support knowledge and innovation for growth
- Create more and better jobs

+ new simplified mechanism for economic policy coordination



Economic policy coordination: the new coordination cycle



The triennial economic policy coordination cycle

The policy formation phase

The policy implementation and review phase

Winter

Spring

Summer

Autumn

Winter

January

Commission presents EU Annual Progress Report (beginning 2006); every 3rd year: EU Strategic Report (1st time in 2008), with assessment of national reform programmes / reporting on implementation.

In addition, COM presents its proposal for the Integrated Guidelines Package (IGP) (BEPGs and EGs; update when necessary in intermediate years viz. full review every third year, beginning in 2008).

February - March

Council input into IGP (update/review):

Ecofin draft for BEPGs; ESPHCA on EGs.

EP opinion on IGP.

March

Spring European Council (SEC) discusses reports, reviews progress, gives political orientation and endorses the IGP (BEPGs, EGs).

April - June

Councils adopt IGP, taking account of SEC outcome:
Ecofin Council adopts BEPGs;
ESPHCA Council adopts EGs.

In addition, Commission adopts Community Lisbon programme (every third year)

October

Member States submit national reform programmes (every third year, starting 2005) and report on implementation (annually, starting 2006).

Autumn

S/C Programmes submitted separately.

Nov./Dec.

Commission prepares assessment of national programmes (every third year, after their release), reviews implementation

National reform programmes: a major novelty

- presented in the autumn 2005 (mid-October)
- also a 3-years cycle (possibility to amend every year)
- identifying main challenges to achieve higher growth and employment and specific measures to be taken
- subject to a broad political debate at the national level (Parliament, social partners, broad public...)
- annual national implementation reports

Economic policy coordination: the main actors

- The Council of Ministers (EPC and EFC)
- Eurogroup (budgetary policy)
- The European Council
- The European Commission
- The European Parliament

Economic and Financial Committee (Treaty Article 114)

Role

- Contributes to the preparation of the work of the Council
- Delivers opinions
- Focuses on macroeconomic and financial issues

Main tasks

- Economic situation and policy issues
- SGP
- BEPG - issues of policy mix
- Issues on budgetary policy
- IMF related issues
- Financial market issues etc.

Economic and Financial Committee

Practical arrangements

Statutes (Council decision of 31 Dec 1998; rev 18 June 2003)

- Composition: 2 members per MS, Commission, ECB
- Decision-making: adoption by majority vote: one member - one vote (except CBs, Com); minority or dissenting views also reported
- meets in two configurations (full/restrict)
- President: 2-year term; renewable
- Vice-president
- Alternates
- May entrust the study of specific questions to alternates, sub-coms, WGs, experts
- Confidential (at all levels)
- Secretariat

Economic Policy Committee

(Council decision 18 Feb 1974; 18 June 2003)

Role

- Advises the Council and the Commission
- Contributes to the preparation of work of the Council of coordinating economic policies, in particular in the field of structural policies

Tasks

- BEPGs
- Multilateral surveillance
- Macro-economic dialogue
- Coordination of employment policies
- Lisbon and structural issues

Economic Policy Committee

Practical arrangements

Statutes (OJ L 158/56 27.6.2003)

- 1) Tasks
- 2) Composition
 - 2 per MS, senior officials
- 3) President and secretariat
 - 3 vice-presidents; 2-year terms
- 4) Proceedings
 - majority voting
 - working groups, experts
 - confidentiality of proceedings

The BEPGs - Art. 99 (2)

The Council shall, acting by a qualified majority on a recommendation from the Commission, formulate a draft for the broad guidelines of the economic policies of the Member States and of the Community, and shall report its findings to the European Council. The European Council shall, acting on the basis of the report from the Council, discuss a conclusion on the broad guidelines of the economic policies of the Member States and of the Community. On the basis of this conclusion, the Council shall, acting by a qualified majority, adopt a recommendation setting out these broad guidelines. The Council shall inform the European Parliament of its recommendation.

The BEPGs – the role

1. set out policy orientations for the policy actors (Art. 99(2))
2. provide the yardstick for monitoring by the Commission and the Council (Art. 99(4))

The BEPGs as the key economic policy document:

1. Broad coverage
2. Consistency
3. Policy consensus

BEPGs – the Integrated Guidelines

- A three-year period 2005-2008
- Structure:
 - 1.A *Macroeconomic part*
 - 1.B *Microeconomic part* } (*Broad Economic Policy Guidelines*)
 - 2. *Employment (Employment Guidelines)*
- Less and more focused (24 in total)
- A basis for National Reform Programmes (allowing the MS to develop their own policy mixes, thus increasing national ownership)

The multilateral surveillance – Art 99 (3)

In order to ensure closer coordination of economic policies and sustained convergence of the economic performances of the Member States, the Council shall, on the basis of reports submitted by the Commission, monitor economic developments in each of the Member States and in the Community as well as the consistency of economic policies with the broad guidelines referred to in paragraph 2, and regularly carry out an overall assessment. For the purpose of this multilateral surveillance, Member States shall forward information to the Commission about important measures taken by them in the field of their economic policy and such other information as they deem necessary.

Multilateral surveillance

The Economic Policy Committee

- 2005 Spring European Council confirmed that the existing multilateral surveillance arrangements for the BEPGs continue to apply
- Country Reviews Working Group of the EPC conducted country reviews in November (assessment of the NRPs)
- The EPC Report on Structural Reforms (endorsed by the ECOFIN Council)
- Second round in February (follow-up of the Commission's assessment)



Thank you for your attention!