STUDY
for the BUDG Committee

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Synergies between the objectives set out in the Annual Growth Survey and the contribution of the EU budget and national budgets

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POLICY DEPARTMENT D: BUDGETARY AFFAIRS

Synergies between the objectives set out in the Annual Growth Survey and the contribution of the EU budget and national budgets

STUDY

Abstract

This study examines synergies between the objectives of the Annual Growth Survey (AGS) and EU and national budgets. It also assesses the impact of the guidance provided by the AGS and country-specific recommendations on national budgets with a view to supporting policies enhancing economic growth.

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LIST OF ABBREVIATIONS

AGS	Annual Growth Survey
AMECO	European Commission Annual Macro-Economic database
AMR	Alert Mechanism Report
AT	Austria
BE	Belgium
CEF	Connecting Europe Facility
CF	Cohesion Fund
COFOG	Eurostat Government Expenditure by Function
COSME	Programme for the Competitiveness of Enterprises and Small and Medium-Sized Enterprises
CSF	Common Strategic Framework
CSR	Country-Specific Recommendation
CZ	Czech Republic
DBP	Draft Budgetary Plan
DE	Germany
EAFRD	European Agricultural Fund for Rural Development
EaSI	European Union Programme for Employment and Social Innovation
EAV	European Added Value
EC	European Commission (also COM)
ECA	European Court of Auditors
ECB	European Central Bank
EDP	Excessive Deficit Procedure
EERP	Energy projects to aid economic recovery

EFSF	European Financial Stability Facility
EFSI	European Fund for Strategic Investments
EFSM	European Financial Stabilisation Mechanism
EIB	European Investment Bank
EMFF	European Maritime and Fisheries Fund
EP	European Parliament
ERDF	European Regional Development Fund
ES	Spain
ESF	European Social Fund
ESIF	European Structural and Investment Funds
EU	European Union
FR	France
GDP	Gross domestic product
GNI	Gross national income
HLGOR	High Level Group on Resources
IDR	In-Depth Review
IE	Ireland
IMF	International Monetary Fund
IT	Italy
LV	Latvia
MFF	Multiannual Financial Framework
MIP	Macroeconomic Imbalance Procedure
MS	Member State
MTO	Medium-term Objective

NRP	National Reform Programme
OECD	Organisation for Economic Co-operation and Development
PL	Poland
R & D	Research and developent
R & I	Research and innovation
REA	Rapid Evidence Assessment
SCP	Stability and Convergence Programme
SE	Sweden
SGP	Stability and Growth Pact
SME	Small and medium enterprise
UK	United Kingdom
US	United States
VAT	Value added tax
YEI	Youth Employment Initiative

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EXECUTIVE SUMMARY

Context for the study

The Annual Growth Survey (AGS) sets out economic priorities for the EU and gives policy guidance for member states. It represents an integral part of the European Semester, the EU's framework for economic and fiscal policy coordination and surveillance. Fiscal and economic policy coordination are in turn guided by the Stability and Growth Pact (SGP) and the Macroeconomic Imbalance Procedure (MIP), respectively.

The AGS sets out priorities that aim to contribute to jobs and growth in the interrelated areas of investment, structural reforms and fiscal consolidation. Alongside the AGS, which embraces an EU-wide perspective, targeted guidance for member states is provided in the form of country-specific recommendations (CSRs). In theory, these recommendations represent all the policy areas covered by the European Semester, although their actual content is tailored to the conditions in each member state. However, with the exception of indirect policy enforcement through the SGP and the MIP, member states have wide discretion over how or whether at all to act on this guidance. Similarly, the AGS provides guidelines for the EU budget, but the reflection of AGS priorities in its framework may vary across policy areas. And while the EU budget is very small compared to national budgets, it can play an important role in supporting action in the member states, particularly in areas with high European Added Value.

Against this background, the objectives of this study are twofold. First, it examines the synergies between the objectives of the AGS and EU budget contributions and measures aimed at enhancing economic growth. Second, the study assesses the impact of the guidance provided by the CSRs on national budgets with a view to supporting policies enhancing economic growth. In pursuing these two objectives, the study aims to contribute to a political assessment of the interactions and synergies between two European Semester tools (AGS and CSRs) and EU and national budgets.

Methodology

To achieve the objectives of the study, the research team undertook three distinct, yet related, tasks. First, we reviewed EU and national-level macroeconomic documentation pertaining to the European Semester. This included sources such as National Reform Programmes, Stability and Convergence Programmes and Commission country reports on the implementation of CSRs. Second, we analysed EU and national-level budget data to examine any trends in relevant budget allocations. For national-level data, this analysis drew on both consolidated Eurostat data and national budget documentation. Third, we conducted a rapid evidence assessment of existing academic and grey literature. This review focused on two areas of inquiry: 1) synergies between EU and member states' budgets in the pursuit of AGS objectives, and 2) the potential of adopted measures to contribute to economic growth and job creation.

The study covered the years 2014–2016, which were marked by continued fallout from the economic downturn started in 2008 in the US and the European debt crisis. Geographically, the analysis of Eurostat budgetary data and the rapid evidence assessment covered all EU28 member states, while the review of national macroeconomic documentation and national budgetary data focused on a subset of 12 countries. This group included the six largest EU countries and consisted of the following: AT, BE, CZ, DE, ES, FR, IE, IT, LV, PL, SE and UK. Thematically, the analysis of CSRs was limited to items with a clear implication for national budgets. Conversely, recommendations in areas such as regulatory reform were not considered.

The study is subject to several limitations, two of which stand out in particular. First, gaps in data coverage and availability with respect to national budgetary allocations render it difficult in certain cases to comment on any developments in fiscal indicators of interest. Examples are instances in which the available data is not granular enough to capture a particular programme or policy initiative covered by a CSR. Second, and more fundamentally, the ability to comment on any causal chains and contributions to economic growth and jobs is constrained. To illustrate, the mere existence of a budget allocation does not say anything about how the funds are used in practice and to what effect. Where member states report on their activities that can be linked to the AGS and individual CSRs, this information is typically insufficient to assess their impact. And while general observations about the potential of individual measures to contribute to AGS objectives are drawn from existing literature, it is impossible to determine whether these lessons are applicable to each reported action.

Conclusions

On the basis of evidence collected through the research tasks undertaken, the research team formulated the following conclusions.

AGS priorities are reflected in the EU budget in a variety of ways.
Given the nature of the EU budget as primarily an investment vehicle, its contribution falls in the category of investment-related AGS priority areas. A notable share of the EU budget is devoted to AGS priorities (primarily through sub-heading 1a and ESI Funds) and these relevant appropriations appear to have grown over time, both in absolute terms and as a share of the EU budget. In particular, the launch of the European Fund for Strategic Investments (EFSI) represents a swift mobilisation of resources explicitly dedicated to the fulfilment of AGS priorities, having grown to account for over 10 per cent of all commitments under heading 1a in 2017. In another demonstration of continued focus on growth investment, the EU made use of one of its Special Instruments, the Global Margin for Commitments, to increase funding for a series of programmes under heading 1a. The additional allocations were earmarked for Erasmus, Horizon 2020, COSME and CEF, all of which have clear direct links to AGS priorities. Furthermore, these budgetary developments have occurred against a backdrop of substantial instability in EU's neighbourhood, which put pressure on the EU to increase allocations that could help address the situation, such as Heading 3 (Security and Citizenship) and Heading 4 (Global Europe).

Despite action at the national level there remains room for greater CSRs implementation.
Member states generally report acting on, or starting to act on, the vast majority of received CSRs (94 per cent). The number of instances where member states have not taken any action or do not even plan to take one remains minimal (6 per cent). However, responses to CSRs and implementations noted by member states tend to be works in progress, with only a fraction of recommendations addressed fully (20 per cent). COM assessments of CSR implementations paint a similar picture, albeit in starker terms (4 per cent). The absolute number of CSRs with no action remains relatively low (5 per cent), but so is the number of CSRs with an assessment of substantial progress (4 per cent). In instances where member states' and COM assessments differ, perhaps unsurprisingly, member states' self-reports appear to paint a more positive picture. The relatively low degree of satisfactory implementation of CSRs is also demonstrated by the fact that a sizeable share of CSRs is repeated in the same or similar form year on year. The limited extent to which CSRs are implemented was also

noted by existing literature on the topic, which noted substantial differences in compliance across individual countries and CSR types.

Available national budgetary indicators suggest uneven CSR implementation, although this data source is subject to multiple limitations.
This study also attempts to complement an analysis of national documentation with an exploration of available budget data. This exploration revealed a similar pattern to that emerging from national documentation. The extent to which national budget allocations changed following the issuance of a CSR varies across member states and policy areas, with a persistently high share of changes in the opposite direction as that called for by the CSR in question. However, national budget data is an imperfect source due to possible lack of consistency across years and spending categories, and due to limited availability of data disaggregated at the appropriate level. In addition, unlike national documentation, budgetary data on its own does not make any statements about the relationships between CSRs and budgetary indicators, making it entirely plausible there is none.

Synergies between EU and member states' budgets exist, in a narrow sense, in so far as they both work towards the accomplishment of common AGS-related goals.
One mechanism through which synergies between EU and member states' budgets can be assessed is alignment of policy priorities. In this regard, available evidence points at the existence of budgetary synergies, primarily in connection with ESI Funds, their operationalisation at the national level and how they match with EU priorities. In a broader sense of synergies, the extent to which the EU budget helps member states' budgets with the achievement of AGS priorities remains more difficult to assess. Available literature points again at ESI Funds and their co-financing requirements as an important mechanism through which synergies can be achieved, although ongoing proposals to increase the element of macro-conditionality indicate the potential for additionality may not have been fully realised. More recently, EFSI represents another potential source of synergies; however, while early indicators suggest that the instrument is on track to meet its output targets in terms of leveraged and mobilised investments, its effectiveness in terms of outcomes and impacts has not yet been fully settled.

Further issues for consideration

In addition to the conclusions above, we present a series of issues for further consideration. The points are discussed in a separate section as they touch on issues extending somewhat beyond the scope of this paper. They nevertheless merit being raised as they are intrinsically related to the AGS framework.

There is wide consensus that measures adopted in the pursuit of two out of three AGS priority areas can lead to envisaged positive outcomes.
While there is some variation in how AGS priority areas are presented across years, they can broadly be categorised into three groups: structural reforms, pro-growth investments and fiscal consolidation. With respect to the first two categories, there is wide-ranging consensus in existing literature that measures adopted in these areas have the potential to lead to economic growth and/or improved public spending. Moreover, a small number of existing studies have attempted to quantify any potential impact of these measures and, while the size of their estimates varied (reviewed studies ranged between 3 and 10 per cent of GDP), they have arrived at generally positive findings of increased economic output.

Objections are raised about the appropriateness of fiscal consolidation as a goal/recommendation, particularly in times of economic downturns.

While there appears to be broad consensus in the two areas discussed above, numerous studies have raised objections or questions about the appropriateness of other parts of the AGS policy framework. In practical terms, these concerns primarily address the area of fiscal consolidation and, by extension, the design of the Stability and Growth Pact. Specifically, multiple authors question the extent, if any, to which fiscal retrenchment, as called for in a number of CSRs, in accordance with SGP provisions, can be conducive to economic growth and job creation, especially in countries facing adverse economic circumstances. A related point of contention is the extent to which action in areas such as investment can mitigate and/or offset any negative effects of fiscal retrenchment and the sequencing and coordination of action in multiple policy areas.

Implications of recent evidence on the effects of fiscal consolidation may be worth reflecting in the AGS.

Existing evidence suggests that all three AGS priority areas may not always be compatible. More specifically, the role of fiscal consolidation in the pursuit of economic growth, particularly at times of economic downturn, has been repeatedly challenged. The Annual Growth Survey drafting process may wish to reflect on this body of evidence and review how to ensure that recommendations delivered under all of its priority areas are coherent. This can be accompanied with technical guidance for member states on coordination of action in multiple policy areas and possible mitigation of any contradictory effects of individual measures.

Policy recommendations

Building on its findings and conclusions, the study puts forward the following recommendations.

The concept of European added value can be more strongly embedded in the European Semester and its reporting mechanisms.

The EU budget is relatively small in size. Its overall impact depends mainly on the capacity of delivering added value, i.e. financing projects that otherwise would have not been funded and leveraging from other sources. In this respect, synergies between the EU budget and the member states' national budgets are essential to maximise European added value. Nevertheless, the European added value (EAV) is not formally built in to any of the EU mechanisms assessed, such as the AGS, CSRs and resulting reporting, and EU institutions do not systematically assess EAV in the context of the European Semester.

As there is no common approach to measure the EAV, agreeing on a more operational approach could be beneficial. Reporting mechanisms could be designed to ensure that additional data and information are systematically collected. Counterfactual evaluation cannot always be conducted. However, member states could be encouraged to present further description in their reporting documentation, such as National Reform Programmes (NRPs) of the potential synergies envisaged between their budgets and the EU resources. Subsequently, adopting a longer-term perspective, member states can be invited to report back on whether the expected synergies have materialised, in what form they have done so and what factors helped/inhibited their occurrence.

While it is important that such reporting not be an undue burden for the member states, it could enhance transparency, accountability, and foster the exchange of best practices. In addition, systematic collection of this type of information may be necessary to fully assess the impact of EU funding mechanisms, such as EFSI, and to address concerns raised in their evaluations so far.

It may be beneficial to embrace a longer-term perspective in the European Semester monitoring and assessments.

The process of the European Semester is organised on an annual basis. A new edition of the Annual Growth Survey is published every year, followed by a new set of CSRs issued to member states. Subsequent reporting by both member states and the Commission uses the latest set of CSRs as the reference point. In the subsequent year, the monitoring and reporting process is repeated on the basis of a new AGS and CSR. However, this design means that monitoring is necessarily process- and output-oriented and may miss opportunities afforded by longer-term monitoring to explore results in greater detail. For instance, effects resulting from complying with a CSR may take longer than one year to materialise. Suppose a country receives (in a year *n*) a recommendation to undertake a tax reform. Even if the desired tax reform is passed in year *n*, it will affect economic activities in year *n*+1 (when final CSR reporting takes place), with relevant macroeconomic data available only in year *n*+2. The longer-term perspective may be particularly important given the ultimate objective of the AGS is to engender economic growth. Accordingly, while it may be possible to assess on an annual basis whether recommended measures have been put in place, this approach does not allow an analysis of whether the measures worked as expected or hoped for.

Ongoing evolution of the EU budget in the direction of greater flexibility could have the potential to strengthen its contribution towards AGS priorities and may merit further development.

The structure and rules of the EU budget help ensure budgetary responsibility, but may hinder the ability to react to new developments and make changes to address arising policy priorities. In response, the EU has made an effort to increase the flexibility of the EU budget through the use of flexibility instruments, transfers of unused funding allocations and the establishment of new budgetary tools able to leverage non-EU financing. The Youth Employment Initiative (YEI) and EFSI represent two examples of initiatives in the latter category with direct relevance to AGS priorities. The push for greater flexibility is also a major part of the ongoing review of the current MFF and appears to be endorsed by relevant policymakers and experts. This could result in an EU budget that is more agile and equipped to reallocate resources in line with evolving EU policy priorities. By extension, this may help strengthen the EU's contributions towards AGS priorities, but could, of course, also be used for other priorities, such as security crises. At the same time, caution may be required in ensuring increased use of flexible instruments does not weaken accountability and transparency standards.

Further efforts to address current data limitations are desirable.

An analysis of CSR reflections in national budgets is inevitably constrained by data limitations. A solution to the problem is the use of a mixed methods research approach, pairing up empirical quantitative analysis with qualitative assessments of policy changes, ideally in a manner that is comparable across countries. Existing documentation and data sources (e.g. NRPs, COM country reports, national budget databases) provide useful information. However, further efforts to systematically include the following elements may merit consideration. First, CSR-related documentation may want to include more information on directly applicable social, and political developments in the country. Second, to the extent possible, CSRs should be systematically paired with a clearly defined variable of interest (specifically for CSRs without any specifically-mentioned measurement, such as reducing financial disincentives to work or broadening tax base), their expected or proposed value and their actual value. And third, as above, there would be a certain degree of continuity and a longer-term perspective in the collection of relevant indicators.

ZUSAMMENFASSUNG

Kontext für die Studie

Mit dem Jahreswachstumsbericht werden wirtschaftliche Prioritäten für die EU und politische Leitlinien für die Mitgliedstaaten festgelegt. Er stellt einen wesentlichen Bestandteil des Europäischen Semesters dar, dem Rahmen der EU für die wirtschafts- und finanzpolitische Koordinierung und Überwachung. Die finanz- und wirtschaftspolitische Koordinierung erfolgt wiederum auf Grundlage des Stabilitäts- und Wachstumspakts (SWP) beziehungsweise des Verfahrens bei einem makroökonomischen Ungleichgewicht (MIP).

Mit dem Jahreswachstumsbericht werden Prioritäten festgelegt, die zur Schaffung von Arbeitsplätzen und zum Wachstum in den miteinander verknüpften Bereichen der Investitionen, der Strukturreformen und der Haushaltskonsolidierung beitragen sollen. Neben dem Jahreswachstumsbericht, der ein EU-übergreifendes Bild bietet, werden den Mitgliedstaaten gezielte Orientierungshilfen in Form von länderspezifischen Empfehlungen zur Verfügung gestellt. Theoretisch umfassen diese Empfehlungen sämtliche Politikbereiche des Europäischen Semesters, obwohl ihre tatsächlichen Inhalte auf die Gegebenheiten in jedem einzelnen Mitgliedstaat zugeschnitten sind. Mit Ausnahme der indirekten Durchsetzung der Politik durch den SWP und das MIP verfügen die Mitgliedstaaten jedoch über großen Handlungsspielraum und können entscheiden, ob und wie sie die Orientierungshilfen umsetzen. Gleichermaßen bietet der Jahreswachstumsbericht Leitlinien für den EU-Haushalt, wobei es je nach Politikbereich sehr unterschiedlich sein kann, wie entsprechende Prioritäten in diesem Rahmen berücksichtigt werden. Der EU-Haushalt fällt zwar im Vergleich zu den nationalen Haushalten sehr gering aus, kann aber bei der Unterstützung von Maßnahmen in den Mitgliedstaaten bedeutsam sein, insbesondere in den Bereichen mit hohem europäischem Mehrwert.

Vor diesem Hintergrund werden mit dieser Studie zwei Ziele verfolgt. Erstens werden die Synergien zwischen den Zielen des Jahreswachstumsberichts und den Beiträgen zum EU-Haushalt sowie den Maßnahmen zur Steigerung des Wirtschaftswachstums untersucht. Zweitens werden mit der Studie die Auswirkungen der in den länderspezifischen Empfehlungen für den Bereich nationale Haushalte enthaltenen Orientierungshilfen bewertet, mit dem Ziel, dass politische Maßnahmen zur Steigerung des Wirtschaftswachstums unterstützt werden. Durch Verfolgung dieser beiden Ziele soll die Studie zu einer politischen Bewertung der Interaktionen und der Synergien zwischen den zwei Instrumenten des Europäischen Semesters (Jahreswachstumsbericht und länderspezifische Empfehlungen) und dem EU-Haushalt sowie den nationalen Haushalten beitragen.

Methodik

Um die Ziele der Studie zu erreichen, übernahm das Forschungsteam drei unterschiedliche, aber dennoch miteinander in Verbindung stehende Aufgaben. Erstens wurden die auf nationaler und EU-Ebene vorhandenen gesamtwirtschaftlichen Unterlagen überprüft, die sich auf das Europäische Semester beziehen. Dazu zählten Quellen wie die nationalen Reformprogramme, die Stabilitäts- und Konvergenzprogramme sowie die Länderberichte der Kommission über die Umsetzung der länderspezifischen Empfehlungen. Zweitens wurden die Haushaltsdaten auf nationaler und EU-Ebene analysiert, damit Tendenzen bei den entsprechenden Haushaltszuweisungen festgestellt werden können. Für die Daten auf nationaler Ebene stützte sich diese Analyse sowohl auf konsolidierte Daten von Eurostat als auch auf Unterlagen zu den nationalen Haushalten. Drittens wurde eine rasche Beweiseinschätzung von bestehender wissenschaftlicher und grauer Literatur durchgeführt. Die

Überprüfung konzentrierte sich auf zwei zu untersuchende Bereiche: 1) Synergien zwischen den Haushalten der EU und der Mitgliedstaaten um die Ziele des Jahreswachstumsberichts zu erreichen und 2) das Potenzial der verabschiedeten Maßnahmen, zum Wirtschaftswachstum und zur Schaffung von Arbeitsplätzen beizutragen.

Die Studie umfasste die Jahre 2014 bis 2016, die auch weiterhin durch die Auswirkungen des wirtschaftlichen Abschwungs gekennzeichnet waren, der im Jahr 2008 durch die Krise in den USA und die europäische Schuldenkrise ausgelöst wurde. Aus geografischer Sicht umfasste die Analyse der Haushaltsdaten von Eurostat und die rasche Beweiseinschätzung alle 28 Mitgliedstaaten der EU, während sich die Überprüfung der nationalen gesamtwirtschaftlichen Unterlagen und der nationalen Haushaltsdaten auf eine Teilgruppe von 12 Ländern konzentrierte. Zu dieser Gruppe zählten die sechs größten EU-Länder und sie setzte sich wie folgt zusammen: Belgien, Deutschland, Frankreich, Irland, Italien, Lettland, Österreich, Polen, Schweden, Spanien, die Tschechische Republik und das Vereinigte Königreich. Thematisch beschränkte sich die Analyse der länderspezifischen Empfehlungen auf Punkte mit eindeutigen Auswirkungen auf die nationalen Haushalte. Daher wurden Empfehlungen in Bereichen wie dem der regulatorischen Reformen nicht berücksichtigt.

Die Studie unterliegt mehreren Einschränkungen, von denen insbesondere zwei hervorstechen. Erstens machen es eine lückenhafte Erfassung und eine mangelnde Verfügbarkeit von Daten in Bezug auf die nationalen Haushaltszuweisungen in bestimmten Fällen schwierig, Aussagen über die Entwicklungen relevanter finanzpolitischer Indikatoren zu treffen. Beispiele hierfür sind Fälle, in denen die verfügbaren Daten nicht hinreichend genau sind, damit ein bestimmtes Programm oder eine bestimmte politische Initiative erfasst werden kann, die von einer länderspezifischen Empfehlung abgedeckt ist. Noch schwerwiegender ist, zweitens, die eingeschränkte Fähigkeit, Aussagen über Kausalketten und Beiträge zum Wirtschaftswachstum sowie zur Schaffung von Arbeitsplätzen zu treffen. Dies wird durch die Tatsache verdeutlicht, dass das bloße Bestehen einer Mittelzuweisung keine Aussage darüber zulässt, wie die Finanzmittel in der Praxis eingesetzt wurden und welche Wirkung sich daraus ergab. Wenn die Mitgliedstaaten über ihre Aktivitäten in Verbindung mit dem Jahreswachstumsbericht und den einzelnen länderspezifischen Empfehlungen Bericht erstatten, sind diese Angaben in der Regel nicht ausreichend, um deren Auswirkungen zu bewerten. Obwohl allgemeine Beobachtungen hinsichtlich des Potenzials einzelner Maßnahmen, zu den Zielen des Jahreswachstumsberichts beizutragen, aus der vorhandenen Literatur entnommen wurden, ist unmöglich feststellbar, ob diese Erkenntnisse auf jede einzelne gemeldete Maßnahme zutreffen.

Schlussfolgerungen

Auf Grundlage der Nachweise, die im Rahmen der durchgeführten Forschungsarbeiten gesammelt wurden, hat das Forschungsteam die folgenden Schlussfolgerungen formuliert.

Die Prioritäten des Jahreswachstumsberichts werden im EU-Haushalt auf verschiedene Weise berücksichtigt.

Da der EU-Haushalt hauptsächlich als Anlageinstrument dient, können seine Beiträge in die Kategorie der vorrangigen investitionsbezogenen Bereiche des Jahreswachstumsberichts eingeordnet werden. Ein beträchtlicher Anteil des EU-Haushalts kommt den Prioritäten des Jahreswachstumsberichts (hauptsächlich über Teilrubrik 1a und die ESI-Fonds) zugute, und diese einschlägigen Mittel scheinen im Laufe der Zeit angestiegen zu sein, sowohl in absoluten Zahlen als auch anteilig in Bezug auf den EU-Haushalt. Insbesondere die Einrichtung des Europäischen Fonds für strategische Investitionen (EFSI) stellt eine schnelle Möglichkeit dar, um Ressourcen zu mobilisieren, die ausdrücklich dafür vorgesehen sind, die Prioritäten des Jahreswachstumsberichts zu erfüllen, wobei bei diesen Mitteln für das Jahr 2017 ein Anstieg auf 10 % aller Verpflichtungen aus Rubrik 1a zu verzeichnen war. Als weitere Veranschaulichung, dass die Wachstumsinvestitionen weiterhin im Mittelpunkt stehen, nutzte die EU eines ihrer besonderen Instrumente, den globalen Spielraum für Verpflichtungen, um die Finanzmittel für eine Reihe von Programmen aus Teilrubrik 1a aufzustocken. Die zusätzlichen Zuweisungen sind für Erasmus, Horizont 2020, COSME und die Fazilität „Connecting Europe" vorgesehen, die allesamt eindeutige direkte Verbindungen zu den Prioritäten des Jahreswachstumsberichts aufweisen. Diese haushaltspolitischen Entwicklungen haben sich außerdem vor dem Hintergrund einer erheblichen Instabilität in den Nachbarländern der EU ergeben, durch die Druck auf die EU aufgebaut wird Mittel zu erhöhen, mit denen Abhilfe geschaffen werden könnte, wie Rubrik 3 (Sicherheit und Unionsbürgerschaft) sowie Rubrik 4 (Europa in der Welt).

Trotz Maßnahmen auf nationaler Ebene verbleibt Raum für eine umfassendere Umsetzung der länderspezifischen Empfehlungen.

Die Mitgliedstaaten melden im Allgemeinen, dass sie bezüglich der großen Mehrheit der erhaltenen länderspezifischen Empfehlungen (94 %) Maßnahmen ergriffen haben oder im Begriff sind, Maßnahmen zu ergreifen. Die Anzahl an Fällen, in denen die Mitgliedstaaten keine Maßnahmen ergriffen haben oder nicht vorhaben Maßnahmen zu ergreifen, bleibt gering (6 %). Bei den Reaktionen auf die länderspezifischen Empfehlungen und deren Umsetzung durch die Mitgliedstaaten, handelt es sich jedoch tendenziell um laufende Arbeiten, denn nur ein Bruchteil der Empfehlungen wurde vollständig umgesetzt (20 %). Die Bewertungen der Umsetzung der länderspezifischen Empfehlungen durch die Kommission ergeben ein ähnliches Bild, wenngleich in drastischerem Ausmaß (4 %). Die absolute Zahl der länderspezifischen Empfehlungen, zu denen keine Maßnahmen erfolgt sind, bleibt relativ gering (5 %), was aber auch auf die Zahl an Empfehlungen zutrifft, bei denen laut Bewertung erhebliche Fortschritte erzielt wurden (4 %). In den Fällen, in denen sich die Bewertungen durch die Mitgliedstaaten und die Kommission unterscheiden, zeichnet sich in den Selbsteinschätzungen der Mitgliedstaaten ein positiveres Bild ab, was kaum überraschend sein dürfte. Dass nur ein vergleichsweise kleiner Teil der länderspezifischen Empfehlungen zufriedenstellend umgesetzt wird, wird auch durch die Tatsache verdeutlicht, dass sich ein beträchtlicher Anteil der Empfehlungen in gleicher oder ähnlicher Form von Jahr zu Jahr wiederholt. Auf das begrenzte Ausmaß, in dem die länderspezifischen Empfehlungen umgesetzt werden, wurde auch in der zu diesem Thema bestehenden Literatur hingewiesen, in der erhebliche Unterschiede bei den einzelnen Ländern und den Kategorien der Empfehlungen festgestellt wurden.

Verfügbare Indikatoren zu den nationalen Haushalten weisen auf eine ungleichmäßige Umsetzung der länderspezifischen Empfehlungen hin, obwohl diese Datenquelle mehreren Einschränkungen unterliegt.

Mit dieser Studie soll durch die Untersuchung der verfügbaren Haushaltsdaten auch die Analyse der nationalen Unterlagen ergänzt werden. Diese Untersuchung zeigte ein ähnliches Muster auf wie das, das sich aus den nationalen Unterlagen ergeben hat. Das Ausmaß, in dem sich die nationalen Haushaltsansätze infolge der ergangenen länderspezifischen Empfehlungen verändert haben, ist in Bezug auf die Mitgliedstaaten und die Politikbereiche durchaus unterschiedlich, wobei ein fortwährend hoher Anteil an Veränderungen in die gegenläufige Richtung erfolgt wie in mit den betreffenden Empfehlungen gefordert. Die nationalen Haushaltsdaten sind jedoch eine mangelhafte Quelle, da sie zwischen den Haushaltsjahren und Ausgabenkategorien möglicherweise nicht kohärent sind und angemessen aufgeschlüsselte Daten nur eingeschränkt verfügbar sind. Im Gegensatz zu den nationalen Unterlagen lassen die Haushaltsdaten allein außerdem keinen Schluss über die Beziehungen zwischen den länderspezifischen Empfehlungen und den Haushaltsindikatoren zu, sodass durchaus die Möglichkeit besteht, dass überhaupt keine Beziehungen bestehen.

Im engeren Sinn bestehen Synergien zwischen den Haushaltsplänen der EU und der Mitgliedstaaten, weil sie beide auf das Erreichen der gemeinsamen Ziele des Jahreswachstumsberichts ausgerichtet sind.
Ein Mechanismus, mit dem die Synergien zwischen den Haushaltsplänen der EU und der Mitgliedstaaten bewertet werden können, ist die Ausrichtung der politischen Schwerpunkte. Diesbezüglich weisen die verfügbaren Nachweise auf vorhandene haushaltspolitische Synergien hin, hauptsächlich in Verbindung mit den ESI-Fonds, ihrer Operationalisierung auf nationaler Ebene und dem Ausmaß, in dem diese den Schwerpunkten der EU entsprechen. Werden die Synergien im weiteren Sinne betrachtet, bleibt es sehr schwer zu beurteilen, inwieweit die Haushalte der Mitgliedstaaten dabei durch den EU-Haushalt unterstützt werden, die Prioritäten des Jahreswachstumsberichts zu erreichen. In der verfügbaren Literatur wird erneut auf ESI-Fonds und deren Kofinanzierungserfordernisse als wichtigen Mechanismus hingewiesen, über den Synergien erreicht werden können, obwohl aus laufenden Vorschlägen zur Erhöhung des Elements der Makrokonditionalität hervorgeht, dass das Potenzial für Zusätzlichkeit möglicherweise nicht vollständig verwirklicht wurde. In jüngerer Zeit stellt der EFSI eine weitere potenzielle Quelle für Synergien dar. Obwohl frühe Indikatoren jedoch darauf hindeuten, dass das Instrument planmäßig eingesetzt wird, um seine Outputziele hinsichtlich wirkungsvoll genutzter und mobilisierter Investitionen zu erreichen, wurde seine Wirksamkeit in Bezug auf die Ergebnisse und Auswirkungen noch nicht vollständig geklärt.

Weitere Aspekte, die Berücksichtigung finden sollten

Zusätzlich zu den aufgeführten Schlussfolgerungen wird hier eine Reihe weiterer Überlegungen vorgestellt. Diese Punkte werden in einem separaten Abschnitt behandelt, weil sie Aspekte betreffen, die in gewisser Weise über den Umfang dieses Dokuments hinausreichen. Dennoch sind sie es wert, angesprochen zu werden, weil sie untrennbar mit dem Rahmen des Jahreswachstumsberichts verknüpft sind.

Es besteht ein breiter Konsens, dass die Maßnahmen, die beschlossen wurden, um zwei der drei vorrangigen Bereiche des Jahreswachstumsberichts zu behandeln, zu den vorgesehenen positiven Ergebnissen führen können.
Obwohl einige Unterschiede dabei bestehen, wie die vorrangigen Bereiche des Jahreswachstumsberichts jahresübergreifend ausgewiesen werden, können sie grob in drei Kategorien unterteilt werden: Strukturreformen, Investitionen zur Wachstumsförderung und Haushaltskonsolidierungen. In Bezug auf die ersten beiden Kategorien besteht in der vorhandenen Literatur ein breiter Konsens, dass mit den in diesem Bereichen beschlossenen Maßnahmen dazu beigetragen werden könnte, dass die Wirtschaft wächst bzw. öffentliche Ausgaben verbessert werden. Darüber hinaus wurde in einigen wenigen vorhandenen Studien versucht, die potenziellen Auswirkungen dieser Maßnahmen zu quantifizieren. Trotz unterschiedlicher Einschätzung des Ausmaßes (die überprüften Studien gehen von 3 % bis 10 % des BIP aus) wurde im Allgemeinen ein positives Ergebnis, also ein Anstieg der wirtschaftlichen Leistung, festgehalten.

Es bestehen Einwände in Bezug auf die Angemessenheit der Haushaltskonsolidierung als Ziel beziehungsweise Empfehlung, insbesondere in Zeiten des wirtschaftlichen Abschwungs.
Obwohl in den beiden angesprochenen Bereichen ein breiter Konsens zu bestehen scheint, wurden in zahlreichen Studien Einwände oder Fragen in Bezug auf die Angemessenheit anderer Bestandteile des politischen Rahmens des Jahreswachstumsberichts geäußert. In der Praxis beziehen sich diese Bedenken hauptsächlich auf den Bereich der Haushaltskonsolidierung und im weiteren Sinne auf die

Gestaltung des Stabilitäts- und Wachstumspakts. Mehrere Autoren stellen insbesondere in Frage, ob und falls ja, in welchem Ausmaß die finanzpolitischen Sparmaßnahmen, die in einigen länderspezifischen Empfehlungen gefordert wurden, dem Wirtschaftswachstum und der Schaffung von Arbeitsplätzen gemäß den Bestimmungen des SWP zuträglich sein können, insbesondere in Ländern, die mit widrigen wirtschaftlichen Rahmenbedingungen zu kämpfen haben. Ein damit verbundener umstrittener Aspekt ist das Ausmaß, in dem mit den Maßnahmen, beispielsweise im Bereich der Investitionen, die negativen Auswirkungen der finanzpolitischen Sparmaßnahmen abgemildert beziehungsweise die Sequenzierung und Koordinierung der Maßnahmen in mehreren Politikbereichen ausgeglichen werden können.

Die Folgerungen aus den jüngsten Nachweisen für die Auswirkungen der Haushaltskonsolidierung sollten möglicherweise im Jahreswachstumsbericht berücksichtigt werden.
Die bestehenden Nachweise zeigen, dass die drei vorrangigen Bereiche des Jahreswachstumsberichts nicht immer miteinander vereinbar sein könnten. Genauer gesagt wurde die Rolle der Haushaltskonsolidierung bei der Verfolgung des Ziels des Wirtschaftswachstums wiederholt in Frage gestellt, insbesondere zu Zeiten des wirtschaftlichen Abschwungs. Beim Entwurf des Jahreswachstumsberichts sollte diesem Beweismaterial unter Umständen Rechnung getragen und überprüft werden, wie sichergestellt werden kann, dass die Empfehlungen, die zu allen vorrangigen Bereichen des Jahreswachstumsberichts vorgelegt wurden, stimmig sind. Damit können technische Leitlinien für die Mitgliedstaaten einhergehen, die dazu dienen, die Maßnahmen in mehreren Politikbereichen zu koordinieren und möglicherweise gegensätzliche Auswirkungen von einzelnen Maßnahmen abzumildern.

Politische Empfehlungen

Auf Grundlage der Feststellungen und Schlussfolgerungen ergehen im Rahmen dieser Studie die folgenden Empfehlungen.

Das Konzept des europäischen Mehrwerts kann stärker in das Europäische Semester und seinen Berichterstattungsmechanismus eingebunden werden.
Der EU-Haushalt ist von relativ geringer Größe. Seine allgemeinen Auswirkungen sind hauptsächlich von der Fähigkeit abhängig, einen Mehrwert zu bieten, das heißt Projekte zu finanzieren, die ansonsten aus anderen Quellen nicht finanziert oder gefördert würden. In dieser Hinsicht sind die Synergien zwischen dem EU-Haushalt und den nationalen Haushalten der Mitgliedstaaten entscheidend, damit der europäische Mehrwert auf ein Höchstmaß angehoben werden kann. Dennoch ist der europäische Mehrwert nicht formell in einem der genannten EU-Mechanismen wie dem Jahreswachstumsbericht, den länderspezifischen Empfehlungen und der sich daraus ergebenden Berichterstattung festgehalten, und die EU-Organe bewerten den Mehrwert für die Europäische Union im Zusammenhang mit dem Europäischen Semester nicht systematisch.

Da kein gemeinsamer Ansatz zur Messung dieses Mehrwerts besteht, könnte es vorteilhaft sein, sich auf einen operationellen Ansatz zu einigen. Es könnten Berichterstattungsmechanismen erarbeitet werden, damit zusätzliche Daten und Informationen systematisch erfasst werden können. Es kann nicht immer eine kontrafaktische Evaluierung durchgeführt werden. Die Mitgliedstaaten könnten jedoch darin bestärkt werden, in ihre Berichte, zu denen auch die nationalen Reformprogramme (NRP) zählen, weitere Beschreibungen zu potenziellen Synergien aufzunehmen, die zwischen ihren Haushalten und den EU-Mitteln bestehen sollen. Folglich können die Mitgliedstaaten langfristig betrachtet dazu aufgefordert werden, Bericht darüber zu erstatten, ob und in welcher Form die erwarteten Synergien aufgetreten sind und welche Faktoren dazu beigetragen oder dies verhindert haben.

Zwar ist es wichtig, dass die Mitgliedstaaten durch eine solche Berichterstattung nicht unzumutbar belastet werden, wobei die Transparenz und die Rechenschaftspflicht durch sie jedoch verbessert und der Austausch von bewährten Verfahren gefördert werden könnte. Zudem ist es unter Umständen notwendig, diese Art von Informationen systematisch zu erfassen, um die Auswirkungen der EU-Finanzierungsmechanismen, zum Beispiel des EFSI, vollständig bewerten zu können und die bisherigen Bedenken in Bezug auf deren Bewertung auszuräumen.

Es könnte vorteilhaft sein, die Überwachung und Bewertung im Rahmen des Europäischen Semesters auf längere Sicht zu betrachten.
Das Europäische Semester ist ein jährlich organisierter Prozess. Jedes Jahr wird eine neue Ausgabe des Jahreswachstumsberichts veröffentlicht, gefolgt von einer Reihe an länderspezifischen Empfehlungen an die Mitgliedstaaten. Die anschließende Berichterstattung durch die Mitgliedstaaten und die Kommission beruht auf den neuesten länderspezifischen Empfehlungen als Referenzpunkt. Im Folgejahre wiederholt sich der Überwachungs- und Berichterstattungsprozess auf Grundlage des neuen Jahreswachstumsberichts und der neuen länderspezifischen Empfehlungen. Dies bedeutet jedoch, dass die Überwachung prozess- und ergebnisorientiert erfolgen muss und dadurch möglicherweise Chancen zur genaueren Untersuchung der Ergebnisse verpasst werden, die sich bei einer langfristigeren Überwachung bieten würden. Beispielsweise könnte es länger als ein Jahr dauern, bis sich aufgrund der Einhaltung länderspezifischer Empfehlungen sichtbare Auswirkungen ergeben. Erhält ein Land zum Beispiel im Jahr n die Empfehlung für eine Steuerreform, und die gewünschte Reform wird sogar in Jahr n verabschiedet, dann wird sie im Jahr $n+1$ Auswirkungen auf die wirtschaftlichen Vorgänge haben (also wenn die abschließende Berichterstattung zu den länderspezifischen Empfehlungen erfolgt), aber die relevanten gesamtwirtschaftlichen Daten werden erst im Jahr $n+2$ zur Verfügung stehen. Eine langfristigere Perspektive könnte also aufgrund des obersten Ziels des Jahreswachstumsberichts, das Wirtschaftswachstum anzukurbeln, besonders wichtig sein. Dementsprechend kann zwar, jährlich untersucht werden, ob die empfohlenen Maßnahmen ergriffen wurden, aber durch diesen Ansatz wird es nicht ermöglicht, zu analysieren, ob die empfohlenen Maßnahmen die erwarteten oder erhofften Auswirkungen hatten.

Eine fortlaufende Weiterentwicklung des EU-Haushalts hin zu größerer Flexibilität könnte den Beitrag zu den Prioritäten des Jahreswachstumsberichts stärken und den weiteren Entwicklungen zugute kommen.
Die Struktur des EU-Haushaltsplans und die für ihn geltenden Regelungen tragen dazu bei, die Haushaltszuständigkeit sicherzustellen, beeinträchtigt aber möglicherweise die Fähigkeit auf neue Entwicklungen zu reagieren und Änderungen vorzunehmen, um aufkommenden politischen Prioritäten gerecht zu werden. Als Reaktion darauf hat die EU Anstrengungen unternommen, um die Flexibilität des EU-Haushaltsplans durch Verwendung von Flexibilitätsinstrumenten, Übertragung nicht genutzter Finanzmittelzuweisungen und Einrichtung neuer Haushaltsmechanismen, die eine wirksame Nutzung von Finanzmitteln ermöglichen, die nicht von der EU stammen, zu erhöhen. Die Beschäftigungsinitiative für junge Menschen und der EFSI sind zwei Beispiele für Initiativen der letztgenannten Kategorie mit direkter Bedeutung für die Prioritäten des Jahreswachstumsberichts. Die Forderung nach größerer Flexibilität ist auch ein zentraler Bestandteil der laufenden Überprüfung des aktuellen mehrjährigen Finanzrahmens und wird anscheinend von den einschlägigen politischen Entscheidungsträgern und Sachverständigen befürwortet. Dies könnte einen EU-Haushalt zur Folge haben, der flexibler gestaltet ist und in dessen Rahmen es möglich ist, Ressourcen im Einklang mit

den sich weiterentwickelnden politischen Schwerpunkten der EU umzuverteilen. Im weiteren Sinne könnten dadurch die Beiträge der EU zu den Prioritäten des Jahreswachstumsberichts gestärkt werden. Ein solcher Haushalt könnte aber natürlich auch für andere Prioritäten wie etwa Sicherheitskrisen zum Einsatz kommen. Gleichzeitig ist unter Umständen Vorsicht geboten, damit die zunehmende Nutzung der Flexibilitätsinstrumente nicht dazu führt, dass die Standards für Rechenschaftspflicht und Transparenz geschwächt werden.

Weitere Anstrengungen sind wünschenswert, um die derzeit beschränkte Datenverfügbarkeit anzugehen.

Eine Untersuchung der Überlegungen in Bezug auf die Berücksichtigung der länderspezifischen Empfehlungen in den nationalen Haushaltsplänen ist unweigerlich durch die Datenverfügbarkeit eingeschränkt. Eine Lösung des Problems ist die Anwendung eines Forschungsansatzes mit gemischten Methoden, wobei eine empirische quantitative Analyse gepaart mit einer qualitativen Bewertung der politischen Veränderungen zum Einsatz kommt, idealerweise auf eine Weise, die einen länderübergreifenden Vergleich ermöglicht. Die vorhandenen Unterlagen und Datenquellen (z. B. NRPs, Länderberichte der Kommission, Datenbanken zu nationalen Haushalten) bieten nützliche Informationen. Weitere Anstrengungen zur systematischen Aufnahme der folgenden Elemente könnten jedoch eine Überlegung wert sein. Erstens sollten Unterlagen in Bezug auf die länderspezifischen Empfehlungen unter Umständen mehr Informationen über unmittelbar zutreffende soziale und politische Entwicklungen im Land enthalten. Zweitens sollten die länderspezifischen Empfehlungen - soweit möglich - systematisch mit einer eindeutig definierten Variable von Interesse, (insbesondere für länderspezifische Empfehlungen ohne speziell festgelegte Messwerte, wie etwa die Verringerung der negativen finanziellen Anreizwirkungen für die Aufnahme einer Beschäftigung oder die Erweiterung der Steuerbemessungsgrundlage), ihrem erwarteten oder vorgeschlagenen Wert und ihrem tatsächlichen Wert verknüpft sein. Und drittens würde sich wie bereits erwähnt ein gewisses Maß an Kontinuität und eine langfristigere Perspektive bei der Erfassung der relevanten Indikatoren ergeben.

RÉSUMÉ

Contexte de l'étude

L'analyse annuelle de la croissance (AAC) détermine les priorités économiques de l'Union et propose aux États membres une orientation politique. Elle fait partie intégrante du Semestre européen, du cadre européen de la coordination et de la surveillance des politiques économique et budgétaire. La coordination de la politique budgétaire et de la politique économique est à son tour guidée par, respectivement, le pacte de stabilité et de croissance (PSC) et la procédure concernant les déséquilibres macroéconomiques (PDM).

L'AAC établit des priorités, dont l'objectif est de contribuer à l'emploi et à la croissance dans les domaines liés de l'investissement, des réformes structurelles et de la consolidation budgétaire. Aux côtés de l'AAC, qui concerne l'Union au sens large, des lignes directrices ciblées sont proposées pour chaque État membre et prennent la forme de recommandations par pays. En théorie, ces recommandations impliquent tous les domaines d'action concernés par le Semestre européen, bien que leur véritable contenu soit adapté aux conditions rencontrées au sein de chaque État membre. Cependant, à l'exception de l'application de l'action indirecte à travers le PSC et la PDM, les États membres sont libres de la manière d'agir par rapport à ces lignes directrices, et même de choisir d'agir ou non. L'AAC propose également des lignes directrices pour le budget de l'Union, mais la façon dont les priorités de l'AAC se reflètent dans son cadre peut varier en fonction des domaines d'action. Bien que le budget de l'Union soit très petit si on le compare aux budgets nationaux, il peut jouer un rôle important dans le soutien des actions au sein des États membres, en particulier pour des domaines dont la valeur ajoutée européenne est élevée.

Dans ce contexte, l'objectif de cette étude est double. Ses auteurs examinent tout d'abord les synergies entre les objectifs de l'AAC et les contributions au budget de l'Union ainsi que les mesures dont l'objectif est de renforcer la croissance économique. Ensuite, il s'agit d'évaluer les conséquences des lignes directrices des recommandations par pays sur les budgets nationaux, dans la perspective de soutenir des actions qui renforcent la croissance économique. En poursuivant ces deux objectifs, l'étude a pour ambition de contribuer à l'évaluation politique des interactions et des synergies entre deux outils du Semestre européen (l'AAC et les recommandations par pays) et les budgets communautaire et nationaux.

Méthode

Pour atteindre les objectifs de l'étude, l'équipe de recherche a entrepris trois tâches distinctes, quoique corrélées. Tout d'abord, nous avons examiné la documentation macroéconomique nationale et européenne portant sur le Semestre européen. Cette documentation inclut des sources telles que les programmes nationaux de réforme, les programmes de stabilité ou de convergence et les rapports par pays de la Commission sur la mise en œuvre des recommandations par pays. Nous avons ensuite analysé les données budgétaires aux niveaux communautaire et national afin de relever toutes les tendances des allocations de budgets pertinentes. Pour les données nationales, l'analyse s'est appuyée sur les données Eurostat consolidées et sur la documentation des budgets nationaux. Enfin, nous avons mené une évaluation rapide des données universitaires et de la documentation parallèle disponibles. La recherche a porté sur deux domaines principaux: 1) les synergies entre les budgets de l'Union et des États membres en lien avec la poursuite des objectifs de l'AAC et 2) la capacité des mesures adoptées à contribuer à la croissance économique et à la création d'emplois.

L'étude s'est penchée sur les années 2014–2016, caractérisées par les répercussions continues de la récession économique qui a débuté en 2008 aux États-Unis et par la crise européenne de la dette. Géographiquement, l'analyse des données budgétaires Eurostat et l'évaluation rapide des données recouvrent l'intégralité des 28 États membres de l'Union, tandis que l'examen de la documentation macroéconomique nationale et des données budgétaires nationales concerne un sous-ensemble de 12 pays. Ce groupe, qui reprend les six plus grands pays de l'Union, est composé des États suivants: AT, BE, CZ, DE, ES, FR, IE, IT, LV, PL, SE et UK. Au niveau thématique, l'analyse des recommandations par pays s'est limitée aux éléments explicitement liés aux budgets nationaux. À l'inverse, les recommandations dans des domaines tels que les réformes réglementaires n'ont pas été prises en compte.

L'étude est sujette à différentes limitations, dont deux se distinguent en particulier. La première concerne les lacunes dans la couverture et la disponibilité des données pour ce qui a trait aux allocations budgétaires nationales. Elles rendent parfois difficile l'élaboration de commentaires pertinents sur les développements des indicateurs budgétaires. Par exemple, les données disponibles peuvent ne pas être suffisamment fines pour permettre de saisir un programme particulier ou une initiative politique concernés par une recommandation par pays. En outre, plus fondamentalement, la possibilité de commenter les chaînes causales et les contributions à la croissance et à l'emploi est limitée. Par exemple, la seule existence d'une allocation budgétaire n'indique en rien la façon dont les fonds sont utilisés dans la pratique, ni à quelle fin. Là où les États membres rendent compte d'activités qui peuvent être liées à l'AAC et aux recommandations individuelles par pays, cette information est généralement insuffisante pour évaluer leurs conséquences. Même si les observations générales sur la capacité de mesures individuelles à contribuer à des objectifs de l'AAC reposent sur des informations existantes, il n'est pas possible de déterminer si ces leçons sont applicables à chaque action dont il est fait mention.

Conclusions

En se fondant sur les preuves recueillies au cours des recherches entreprises, l'équipe de recherche a élaboré les conclusions décrites ci-après.

Les priorités de l'Analyse Annuelle de la Croissance (AAC) sont reflétées dans le budget de l'Union de différentes manières.

La nature du budget de l'Union en fait en premier lieu un instrument d'investissement, sa contribution tombe donc dans la catégorie des domaines prioritaires de l'AAC liés à l'investissement. Une part non négligeable du budget de l'Union est dédiée aux priorités de l'AAC (essentiellement grâce à la sous-rubrique 1a et les Fonds ESI) et ces appropriations pertinentes semblent avoir augmenté avec le temps, en termes absolus et en part du budget de l'Union. En particulier, le lancement du Fonds européen pour les investissements stratégiques (EFSI) représente une mobilisation rapide des ressources explicitement destinées à l'accomplissement des priorités de l'AAC, qui ont augmenté jusqu'à représenter plus de 10 % de tous les engagements au titre de la rubrique 1a en 2017. Afin de démontrer l'attention soutenue accordée à la croissance des investissements, l'Union a également utilisé l'un de ses instruments spéciaux, la marge globale pour les engagements, afin d'augmenter le financement d'un ensemble de programmes au titre de la rubrique 1a. Les allocations supplémentaires ont été affectées à Erasmus, Horizon 2020, COSME et au MIE, qui sont tous des programmes directement liés aux priorités AAC. En outre, ces développements budgétaires ont eu lieu dans un contexte d'instabilité notable dans le voisinage de l'Union, qui a poussé l'Union à augmenter les allocations pouvant permettre de remédier à la situation, comme le titre 3 (Sécurité et citoyenneté) et le titre 4 (Europe mondiale).

Malgré une action entreprise au niveau national, une mise en œuvre plus étendue des recommandations par pays reste possible.
Les États membres indiquent en général agir, ou commencer à agir sur la vaste majorité des recommandations par pays reçues (94 %). Le nombre de cas où les États membres n'ont entrepris aucune action ou ne l'ont même pas envisagé demeure minime (6 %). Cependant, les actions effectuées à la suite des recommandations par pays et les mises en œuvre communiquées par les États membres sont généralement en cours de réalisation, et seule une fraction des recommandations sont menées à terme (20 %). Les évaluations par la Commission de la mise en œuvre des recommandations par pays présentent une situation semblable, avec des différences toutefois encore plus marquées (4 %). Le nombre absolu de recommandations par pays pour lesquelles aucune action n'a été menée demeure relativement peu élevé (5 %), mais c'est également le cas des recommandations par pays dont l'évaluation montre un progrès substantiel (4 %). Dans les cas où les évaluations des États membres et de la Commission diffèrent, les rapports réalisés par les États membres eux-mêmes semblent, de façon peu surprenante, dépeindre la situation d'une façon plus optimiste. Le degré relativement bas de mise en œuvre satisfaisante des recommandations par pays est également illustré par le fait qu'une part importante des recommandations par pays est reconduite d'une année sur l'autre. La portée limitée de la mise en œuvre des recommandations par pays a également été signalée par la litterature existante sur le sujet, qui indiquait des différences importantes de conformité au sein des pays pris individuellement et des types de recommandations par pays.

Les indicateurs budgétaires nationaux disponibles suggèrent une mise en œuvre inégale des recommandations par pays, bien que la source des données soit sujette à de nombreuses limitations.
Cette étude tente également de compléter une analyse de la documentation nationale en se penchant sur les données budgétaires disponibles. Cet inventaire a mis à jour des tendances identiques à celles qui émergent de la documentation nationale. La portée de la modification des allocations budgétaires après la publication d'une recommandation varie selon les États membres et les domaines d'action et comporte une part élevée de modifications allant dans le sens contraire à celui conseillé par la recommandation en question. Les données budgétaires nationales sont cependant une source imparfaite à cause du manque d'homogénéité entre les années et les catégories de dépense et à cause de la disponibilité limitée de données ventilées de façon appropriée. En outre, à la différence de la documentation nationale, les données budgétaires étudiées seules ne permettent pas d'établir de lien entre les recommandations par pays et les indicateurs budgétaires. Il est donc possible qu'il n'y en ait aucun.

Des synergies entre les budgets de l'Union et des États membres existent, au sens strict, étant donné qu'ils contribuent tous deux à la réalisation des objectifs liés à l'Analyse Annuelle de la Croissance.
L'un des mécanismes qui permet d'évaluer les synergies entre les budgets de l'Union et des États membres est la convergence des priorités politiques. À ce niveau, l'existence de synergies budgétaires peut être prouvée, tout d'abord en lien avec les Fonds ESI, par leur mise en œuvre au niveau national et par la façon dont elles correspondent aux priorités de l'Union. Dans un sens plus large du concept de synergie, la portée de l'aide que le budget de l'Union fournit aux États membres pour mener à bien les priorités de l'AAC demeure difficile à évaluer. La littérature présente à nouveau les Fonds ESI et leurs exigences de cofinancement comme un mécanisme important pour permettre la synergie. D'aucuns proposent également d'augmenter la conditionnalité au niveau macro, ce qui

suggère que l'additionnalité n'a pas été pleinement atteinte. Plus récemment, l'EFSI est devenu une autre source potentielle de synergies. Cependant, même si des indicateurs précoces suggèrent que cet instrument semble être sur la bonne voie pour réaliser ses objectifs de résultats en termes d'effet de levier et de mobilisation de l'investissement, son efficacité en termes de résultats et d'incidence n'a pas encore été précisément déterminée.

Autres éléments de réflexion

Outre la conclusion ci-dessus, nous proposons une série de points à examiner. Ils sont évoqués dans une section séparée, car ils concernent des questions qui dépassent la portée du présent document. Ils n'en méritent pas moins d'être évoqués, dans la mesure où ils sont intrinsèquement liés au cadre de l'AAC.

Il est largement admis que les mesures adoptées pour mener à bien deux domaines prioritaires de l'AAC sur trois peuvent avoir des résultats positifs.
En dépit de variations dans la façon dont les domaines de priorités de l'AAC sont présentés en fonction des années, il est possible de les regrouper en trois catégories: réformes structurelles, investissements de soutien à la croissance et consolidation budgétaire. Pour les deux premières catégories, la littérature s'accorde pour indiquer que les mesures adoptées dans ces domaines peuvent provoquer la croissance économique ou l'amélioration des dépenses publiques. En outre, un petit nombre d'études existantes ont tenté de quantifier les conséquences potentielles de ces mesures et, même si la taille de leurs estimations varie (les études examinées concernent entre 3 et 10 % du PIB), les conclusions sont en général positives au niveau de l'augmentation de la production économique.

Des objections s'élèvent concernant la pertinence de la consolidation budgétaire en tant qu'objectif ou recommandation, en particulier pendant une période de ralentissement économique.
Même s'il semble exister un vaste consensus au niveau des deux domaines mentionnés ci-dessus, de nombreuses études ont soulevé des objections ou des questions relatives au bien-fondé d'autres aspects du cadre stratégique de l'AAC. En termes concrets, elles concernent en premier lieu le domaine de la consolidation budgétaire et, par extension, la structure du pacte de stabilité et de croissance (PSC). De nombreux auteurs se demandent en particulier dans quelle mesure l'austérité budgétaire réclamée par beaucoup de recommandations par pays, conformément aux dispositions du PSC, peut être propice à, ou même avoir le moindre effet sur, la croissance économique et la création d'emplois, notamment dans des pays confrontés à des circonstances économiques défavorables. Un point de discorde connexe concerne la portée que peuvent avoir des actions dans des domaines comme l'investissement lorsqu'il est question de limiter ou de compenser les effets négatifs de l'austérité budgétaire et l'échelonnement et la coordination d'actions dans de multiples domaines d'action.

L'Analyse Annuelle de la Croissance (AAC) devrait intégrer un questionnement sur les implications des indices récents concernant les effets de la consolidation budgétaire.
Des indices suggèrent que les trois domaines prioritaires de l'AAC pourraient ne pas toujours être compatibles. Plus précisément, le rôle de la consolidation budgétaire dans le cadre de la recherche de croissance économique, en particulier lors d'une période de ralentissement économique, a régulièrement été remis en question. Le processus d'élaboration de l'analyse annuelle de croissance pourrait intégrer une réflexion sur cet ensemble d'indices et déterminer la façon de garantir la cohérence des recommandations données au titre de l'ensemble des domaines prioritaires. Cela peut

s'accompagner de lignes directrices techniques à destination des États membres, portant sur la coordination des actions dans des domaines d'action multiples et sur l'atténuation possible des effets contradictoires des mesures individuelles.

Recommandations politiques

À partir des différents résultats et conclusions, les auteurs de l'étude proposent une série de recommandations.

Le concept de valeur ajoutée européenne peut être davantage intégré dans le Semestre européen et dans ses mécanismes de déclaration.
Le budget de l'Union est relativement peu important. Son incidence globale dépend surtout de sa capacité à générer de la valeur ajoutée, c'est-à-dire à financer des projets qui n'auraient sinon pas été financés et à réaliser un effet de levier à partir d'autres sources. À ce niveau, les synergies entre le budget de l'Union et les budgets nationaux des États membres sont indispensables à la maximisation de la valeur ajoutée européenne. La valeur ajoutée européenne n'est néanmoins pas formellement introduite dans les mécanismes communautaires évalués, tels que l'AAC, les recommandations par pays et les rapports qui en découlent, et les institutions de l'Union n'évaluent pas systématiquement la valeur ajoutée européenne dans le contexte du Semestre européen.

Dans la mesure où il n'y a pas d'approche commune de la mesure de la valeur ajoutée européenne, il pourrait s'avérer bénéfique de s'accorder sur une approche plus opérationnelle. Les mécanismes de déclaration pourraient être élaborés afin de garantir que les données et les informations supplémentaires sont systématiquement recueillies. Une évaluation contradictoire ne peut pas toujours être menée. Les États membres pourront cependant être encouragés à présenter des descriptions plus détaillées dans leurs rapports, comme les programmes nationaux de réforme, des synergies possibles envisagées entre leurs budgets et les ressources de l'Union. Les États membres peuvent ensuite être invités, selon une perspective à long terme, à décrire la façon dont les synergies attendues se sont concrétisées, sous quelle forme et quels facteurs ont aidé ou entravé leur apparition.

Même s'il est important que de tels rapports ne représentent pas un fardeau inutile pour les États membres, ils pourraient permettre de renforcer la transparence et l'obligation de rendre des comptes ainsi que d'encourager l'échange de bonnes pratiques. En outre, la collecte systématique de ce type d'informations peut s'avérer nécessaire pour évaluer pleinement les retombées des mécanismes de financement de l'Union tels que l'EFSI, et pour répondre aux inquiétudes soulevées jusqu'à présent par leurs évaluations.

Il pourrait être bénéfique d'envisager une perspective à long terme du suivi et des évaluations du Semestre européen.
Le processus du Semestre européen est organisé annuellement. Une nouvelle édition de l'analyse annuelle de croissance est publiée chaque année, suivie d'un nouvel ensemble de recommandations par pays destinées aux États membres. Des rapports ultérieurs des États membres et de la Commission utilisent comme point de référence le dernier ensemble de recommandations par pays. L'année suivante, le processus de suivi et de déclaration se répète en se fondant sur une nouvelle AAC et de nouvelles recommandations par pays. Cette façon de procéder suppose cependant que le suivi est nécessairement focalisé sur le processus et les résultats, et peut passer à côté des opportunités fournies par un suivi à plus long terme, qui permet d'explorer les résultats plus en détail. Par exemple, des effets qui résultent de l'application d'une recommandation par pays peuvent prendre plus d'une

année pour se concrétiser. Supposons qu'un pays reçoive (lors d'une année *n*) la recommandation d'entreprendre une réforme fiscale. Même si la réforme fiscale intervient au cours de l'année *n*, elle affectera les activités économiques de l'année *n*+1 (moment de la rédaction du rapport final pour la recommandation par pays) et les données macroéconomiques pertinentes ne seront disponibles qu'à partir de l'année *n*+2. La perspective à plus long terme peut être particulièrement importante dans la mesure où l'objectif final de l'AAC est d'engendrer la croissance économique. Par conséquent, alors qu'il est possible de déterminer annuellement si les mesures recommandées ont été mises en place, cette approche ne permet pas une analyse de l'efficacité attendue ou espérée des mesures.

Les modifications en cours du budget de l'Union vers une flexibilité plus grande pourraient permettre de renforcer sa contribution aux priorités de l'AAC et méritent potentiellement d'être poursuivies.

La structure et les règles du budget de l'Union permettent de garantir la responsabilité budgétaire, mais peuvent entraver la capacité à réagir à de nouveaux développements et à effectuer des modifications permettant de faire face à de nouvelles priorités politiques. En réaction, l'Union a fait l'effort d'augmenter la souplesse de son budget en utilisant des instruments de flexibilité et de transfert d'allocations des fonds non utilisés ainsi qu'en établissant de nouveaux outils budgétaires pouvant avoir un effet de levier sur les financements qui ne proviennent pas de l'Union. L'initiative pour l'emploi des jeunes (IEJ) et l'EFSI sont deux exemples d'initiatives dans cette dernière catégorie qui ont une pertinence directe par rapport aux priorités de l'AAC. La poussée en direction de davantage de souplesse a également de l'importance dans la révision en cours du Cadre Financier Pluriannuel actuel et semble être approuvée par les responsables politiques et les experts concernés. Cela pourrait avoir pour conséquence un budget de l'Union plus souple et apte à allouer les ressources conformément à l'évolution des priorités politiques de l'Union. Par extension, ce choix peut aider à renforcer la contribution de l'Union aux priorités de l'AAC, mais aussi, bien sûr, être utilisé pour d'autres priorités, comme lors des crises de sécurité. Dans le même temps, la prudence reste de mise au moment de garantir qu'un recours plus important aux instruments de flexibilité n'affaiblit pas les normes de responsabilisation et de transparence.

Des efforts supplémentaires pour remédier aux limites des données actuelles sont souhaitables.

Une analyse des conséquences des recommandations par pays sur les budgets nationaux est nécessairement restreinte par les limites des données. La solution à ce problème est de recourir à des méthodes mixtes de l'approche de la recherche, en croisant l'analyse quantitative empirique et les évaluations qualitatives des réorientations des politiques, idéalement d'une façon comparable d'un pays à l'autre. Les sources existantes de la documentation et des données (par exemple les programmes nationaux de réforme, les rapports par pays de la Commission et les bases de données sur les budgets nationaux) fournissent des informations utiles. Il convient cependant de se pencher sur la possibilité de fournir des efforts supplémentaires afin d'inclure systématiquement certains éléments. Tout d'abord, la documentation en lien avec les recommandations par pays peut tendre à inclure davantage d'informations sur les développements sociaux et politiques directement applicables dans le pays. Ensuite, dans la mesure du possible, les recommandations par pays doivent systématiquement être associées avec une variable d'intérêt clairement définie (en particulier pour les recommandations par pays qui ne comportent pas de mesures spécifiquement mentionnées, comme la réduction des mesures financières dissuasives pour le travail ou l'élargissement de l'assiette fiscale), leur valeur attendue ou proposée et leur valeur effective. Enfin, tel que déjà mentionné, il faudrait un certain degré de continuité et une perspective à plus long terme pour la collecte des indicateurs pertinents.

1. BACKGROUND

This chapter provides the context for this study, including its rationale, scope and the underlying research questions. Furthermore, the chapter briefly outlines the research methodologies and discusses the limitations of the research approach.

1.1. THE EUROPEAN SEMESTER

The European Union's framework for economic and fiscal policy coordination and surveillance is embodied in the European Semester, which was introduced as a response to the European debt crisis in 2010. In this function, the European Semester also serves as a framework to support growth and jobs targets as set out in the Europe 2020 Strategy (EC 2015). The basis for the Semester's monitoring, recommendations and surveillance functions is provided by a variety of instruments. Fiscal policy coordination is largely based on the Stability and Growth Pact (SGP), while coordination of economic policies is based on the Macroeconomic Imbalance Procedure (MIP), the broad economic policy guidelines and the employment guidelines.

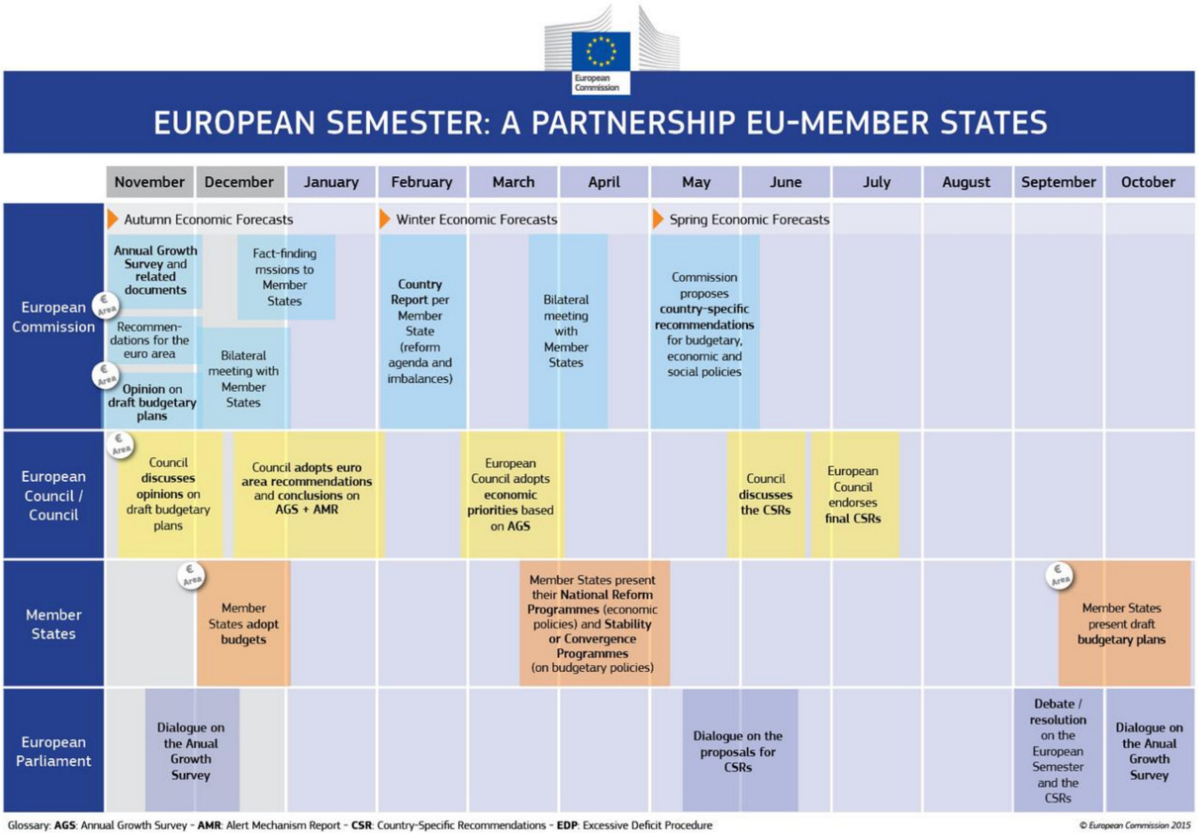
Procedurally, the European Semester annual cycle is launched with the publication of the Annual Growth Survey (AGS), which sets out economic priorities for the EU and gives policy guidance for member states (European Semester timeline) (EC 2016b). Based on the AGS, Commission Country Reports, National Reform Programmes (NRP), Stability and Convergence Programmes (SCP), as well as multilateral discussions, Country-Specific Recommendations (CSR) for each member state are adopted.

1.2. THE ANNUAL GROWTH SURVEY AND COUNTRY-SPECIFIC RECOMMENDATIONS

The AGS contains economic forecasts and the economic priorities of the European Commission, which sets the basis for discussion in the framework of the European Semester. Thereby, it can be characterised as an overarching document for the various legal and institutional components of the European Semester. The AGS sets out priorities that aim to contribute to jobs and growth and fiscal sustainability in the interrelated areas of investment, structural reforms and fiscal consolidation. After the adoption of the AGS and the Alert Mechanism Report (AMR) in November, the Council adopts euro area recommendations and draws conclusions about both documents in December or January.[1] Afterwards, the European Council adopts economic priorities based on the AGS in March.

[1] Note that in previous cycles of the Semester, euro zone recommendations accompanied CSRs, i.e. were published towards the end of the cycle. Their inclusion earlier on in the process serves the purpose of better integrating the euro area and the national level of EU economic governance.

Figure 1: European Semester timeline



Source: European Commission

Alongside the EU-wide perspective that is applied in the AGS, the European Semester leads to targeted guidance for member states in the form of CSRs, which are a product of detailed analysis of the economic and fiscal situation of each member state. For euro-area member states, the submission of the draft budgetary plans is the starting point for monitoring by the European Commission. These plans are to be submitted by 15 October each year (EC 2013a, EC 2013b). The Commission then examines the draft budgetary plans and gives an opinion on whether or not they are in line with the recommendations issued in the context of the SGP and the MIP (EC 2013b). In the context of the MIP, the European Commission undertakes an In-Depth Review (IDR) for member states that might be subject to imbalances. These are presented in a Country Report in February.

After the adoption of economic priorities by the European Council, which are based on the AGS, member states submit their National Reform Programmes on economic policies and their Stability or Convergence Programmes on budgetary policies.

After having taken all of this into account, the European Commission proposes CSRs on economic and budgetary policies for each member state in May. In June and July, the CSRs are first discussed by, and then endorsed by, the European Council. In theory, these recommendations cover all the policy areas covered by the European Semester, together in one document for each country.

1.3. RATIONALE FOR THIS STUDY

The European Semester and its process are intended to provide an EU policy framework to ensure sound public finances, prevent excessive macroeconomic imbalances, support structural reforms to create economic growth and jobs, and boost investment. Through the identification of policy priorities in the AGS and their country-specific operationalisation in CSRs, EU member states are provided with guidelines for making economic policy that are supposed to contribute to positive economic outcomes. However, with the exception of indirect policy enforcement through the corrective arms of the SGP and the MIP, member states have wide discretion over how to act on this guidance, or whether to act on it at all. A similar consideration applies to the EU budget. While the EU defines its broad economic priorities, it is by no means automatic that the EU budgetary process reflects these priorities, be it in the form of the EU annual budget or the Multiannual Financial Framework. Therefore, it is of high political and scientific interest to examine the extent to which the AGS and CSRs are reflected in the EU and national budgets.

The EU budget amounts to around 1 per cent of the European Union's gross national income and amounts to some 2 per cent of total public spending in the EU. The relatively small size of the EU budget limits its overall capacity to provide public goods and to play a stabilisation function or a redistributive role. However, the EU budget can play an important role in supporting action in the member states and the achievement of EU policy objectives, thanks to a number of its characteristics. Examples include the share of the EU budget devoted to investments, such as the funding in the areas of cohesion, research or competitiveness, as well as its capacity to leverage complementary sources of financing and to achieve advantages such as economies of scale. It is, therefore, pertinent to examine the way the EU policy framework is designed and how the synergies with other sources of funding are enhanced, so that the EU budget may lead to improved economic outcomes, such as growth and job creation.

Furthermore, in the Annual Growth Survey for 2015, the new European Commission, which took office on 1 November 2014, explained that a revival of growth can only be achieved if the EU Institutions and the member states work together to deliver on Europe's social market economy. As a consequence, it is desirable to collect and assess evidence on the extent to which EU budget allocations can act in synergy with member states' expenditures in supporting the implementation of the priorities set out in the AGS and the CSRs.

1.4. RESEARCH QUESTIONS AND OBJECTIVES

Against this background, the objectives of this study are twofold. First, it examines the synergies between the objectives of the AGS and EU budget contributions and measures aimed at enhancing economic growth. Second, the study assesses the impact of the guidance provided by the CSRs on national budgets with a view to supporting policies enhancing economic growth. In pursuing these two objectives, the study aims to contribute to a political assessment of the interactions and synergies between two European Semester tools (AGS and CSRs) and EU and national budgets.

More specifically, the study's objectives are expressed by the following research questions:

1) Does the EU budget sufficiently reflect the priority sectors in order to create economic growth, as set out in the Annual Growth Survey, and do national budgets reflect the relevant parts of the Country-Specific Recommendations?
2) Do the EU and national budgets follow the guidelines set by the AGS and CSR through investing in promoting growth and jobs, and increasing the corresponding budget allocations?
3) Are there synergies between the EU and national budgets' priorities and contributions to the achievement of the AGS and the CSRs?
4) Do the measures adopted have real potential to create economic growth and improve the quality and efficiency of public spending?

1.5. STRUCTURE OF THIS REPORT

This report is structured as follows. In the remainder of this chapter, we briefly describe the methodology employed in the study and the study's limitations. The subsequent three chapters provide an overview of findings related to the project's research questions. The final chapter outlines a set of conclusions and policy implications building on the evidence collected.

1.6. METHODOLOGY

To achieve the objectives of the study, we designed a methodological approach comprising a thorough investigation of available budgetary data and documentation, coupled with a rapid review of evidence from existing literature on economic governance in the EU. This approach is organised in a coherent work plan consisting of three interrelated tasks (for a conceptual matrix guiding our research approach see Annex A). These tasks were:

- Analysis of EU and national-level macroeconomic documentation
- Interrogation of EU and national-level economic and budgetary data
- Rapid evidence assessment.

A brief overview of these tasks follows below, after a discussion of the project's scope. A detailed discussion of the study's methodology is presented in Annex B.

1.6.1. Scope of the project

Temporal scope: In line with the terms of reference for the study, the research considered the latest three years of available data. In practical terms, this corresponded to the EU and national budgets for the years 2015–2017, and the 2014–2016 iterations of AGS and CSRs.

The years under investigation stand out for several reasons. First of all, the legacy of the crisis was still present; although the EU had started to experience positive growth after five years of very limited or negative growth, the economic recovery happened at a very slow pace, and it is still fragile. Moreover, fundamental differences across member states were persistent, especially in terms of growth, unemployment and public indebtedness. In the three years referenced, the EC also launched Excessive Deficit Procedures against several countries, and some member states had to take sizeable efforts towards fiscal consolidation and structural reforms. Addressing fiscal sustainability challenges required a strict implementation of medium- term budgetary plans that concentrated the adjustment efforts on the expenditure side.

At the same time, the EU and its member states were dealing with a range of long-term trends affecting job creation and growth. These were notably linked to: societal and demographic change; globalisation; productivity and technological developments; pressure on resources and environmental concerns; as well as generally weaker growth in emerging and developing countries (AGS 2015). This specific context should be borne in mind when considering the generalisability of this report's findings.

Geographical scope: In line with the terms of reference for the study, the research covered the EU and all 28 member states. In doing so, it distinguished two levels of analysis with respect to the review of national macroeconomic documentation and the interrogation of national budget data. For all member states, we mapped AGS priorities and CSRs against available budget data using Eurostat databases.

In addition, in relation to the EU budget, for the six largest member states (DE, ES, FR, IT, PL, UK) and for a selection of six smaller member states (AT, BE, CZ, IE, SE, and LV) we conducted a full in-depth analysis incorporating an interrogation of all available relevant data and evidence sources, including production in the local language. The inclusion of the six largest countries is in line with a requirement in the terms of references for the study. To capture a diverse group of smaller member states with varying characteristics, we employed the following selection criteria: (i) population size, (ii) geographical location, (iii) economic development, and (iv) Eurozone membership.

The scope of the rapid evidence assessment covered all member states. We recognise this approach may have, in some cases, restricted the depth of data considered as part of the research study, but made this concession in order to develop a robust yet practical work plan that can be expected to provide answers to the research questions in the allotted timeframe.

Topical scope: Following conversations with the commissioning team, the focus of this work was on the aspects of the AGS/CSRs with fiscal and budgetary implications. For a description of how relevant areas of analysis were identified, see the description of our approach in section 2.2.2.

1.6.2. Analysis of EU and national-level macroeconomic documentation

The research team developed a data extraction template (see Annex C) to capture relevant information related to the implementation of individual CSRs. For the analysis of EU-level budgetary documentation, the research team reviewed and extracted information from the following documents:

- 2014 and 2015 Financial Reports
- 2014, 2015 and 2016 Implementation Reports
- 2014 and 2015 Analysis of the budgetary implementation of the Structural Funds
- Other documentation pertaining to the 2014–2020 Multiannual Financial Framework (MFF)

For national-level documentation, the following types of documents were reviewed by the research team and relevant evidence was captured into the data extraction template:

- Annual Growth Surveys
- Country Specific Recommendations, as endorsed by the Council (all countries)
- Commission's assessments of national draft budgetary plans (in-depth analysis countries)
- National Reform Programmes (in-depth analysis countries)
- Stability and Convergence Programmes (in-depth analysis countries)
- Commission analysis of Stability and Convergence Programmes (in-depth analysis countries)
- Commission Country Reports on CSR implementation (all countries)
- National Draft Budget Plans (in-depth analysis countries, Eurozone only)
- Euro-area recommendations

Following consultations with the commissioning team, CSRs and their components that were assessed as not having a budget dimension were filtered out and excluded from the subsequent analysis. Based on information extracted from each type of document, the research team recorded a categorical assessment of the extent to which a given CSR was discussed as having been implemented.

1.6.3. Interrogation of EU and national-level economic and budgetary data

We identified a series of databases and other sources of EU-level and national-level budgetary data and extracted pertinent information. For the EU budget, these sources were:

- Information on EU budget as reported on EC website[2]
- Open Data Portal for the European Structural and Investment Funds[3]

For information on national budgets, we drew on the following sources:

- Eurostat Government Expenditure by Function (COFOG) database[4] and Macroeconomic Imbalances Procedure (MIP) indicators[5]
- European Commission Annual Macro-Economic (AMECO) database[6]
- National statistical offices, national finance ministries, and/or approved state budget laws of the 12 countries selected for in-depth analysis[7]

1.6.4. Rapid evidence assessment (REA)

We developed a series of search terms and inclusion/exclusion criteria (see Annex B) to identify a comprehensive yet manageable number of relevant hits. Additional sources were identified through hand-searching the bibliographies of included sources, additional targeted searches and through consultation with the commissioning team. Data from reviewed studies was captured in a data extraction template (see Annex C), structured around the research questions pertinent for the REA.

1.6.5. Limitations of this study

The study's data collection and analysis are subject to a series of limitations. We note them below, organised by relevant work package.

Limitations pertaining to analysis of macroeconomic documentation

Varied authorship and timeframe of reviewed documents. The assessments of member states' progress in following CSRs draw on a variety of documents, which were produced by different authors and at different points in time. With respect to different authorship, one group of documents (national budgetary plans, NRPs and SCPs) was produced by member state authorities, while another group was authored by the Commission (assessments of draft budgetary plans, assessments of SCPs and COM country reports). As such, the two groups of documents incorporate two different perspectives and approaches to progress monitoring. For instance, it is possible that some member states adopt a more optimistic view in reporting on CSR implementation than the Commission would take. As it is beyond the remit of this study to verify information presented in the reviewed documentation, our analysis builds on evidence of progress as self-reported by member states and as compiled by COM. Our analysis explores the extent to which COM and member states' assessments differ and offers a commentary on the issue in Chapter 2.

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[2] EC (2017a)

[3] EC (2017c)

[4] Eurostat (2017)

[5] Eurostat (n.d.)

[6] EC (n.d.a)

[7] See, for instance, Bundesministerium der Finanzen (2017), Bundesministerium für Finanzen (2017), Latvijas Vestnesis (n.d.) and Ministerstvo Financí (n.d.)

In addition, it is important to keep in mind that the reviewed documents were produced at different points in time and at different stages of the European Semester's annual cycle (see Figure 1: European Semester timeline). As such, the available volume of information these documents are able to draw on is not uniform, but rather evolves over time. For instance, COM assessments of SCPs are able, at least in theory, to reflect on more data than COM country reports. Our analysis explicitly recognises these differences.

CSR as a unit of analysis. As explained in the section on methodology, the aggregate categorical assessment of the implementation of individual CSRs is an aggregation of assessments pertaining to individual components of the CSR. This approach, used as a practical approximation and prevalent in existing academic literature, may nevertheless obscure the fact that all parts of CSRs may not be equally important for achieving the overall objective of the CSR as a whole. In Chapter 3, we present a series of illustrative vignettes, which attempt to break down the composition of relevant CSRs.

Limitations pertaining to analysis of budgetary data

Data coverage. With respect to analysis of data on national budgets, two major data sources are available – EU-wide consolidated databases such as Eurostat and national-level statistical data. Each data source has its advantages and disadvantages, presenting a series of trade-offs that need to be made. The latest data available from Eurostat covers 2015, which means there is no data available for 2016 and 2017. This is not an issue for national-level budget data, which does not have any gaps. At the same time, while Eurostat data on macroeconomic indicators and public finances are consolidated in standardised categories, this is not the case for the latest data produced by national statistical offices and ministries of finance. While every effort was made by the research team to improve the cross-country comparability of national-level data, this does not represent a substitute for accounting efforts that are done by national statistical offices when reporting data to Eurostat. However, the consistency of national-level spending categories does allow for a comparison of spending levels over time within individual countries.

Data granularity. The level of disaggregation of available budget data does not always allow an assessment of member states' reactions to a particular CSR guideline, as the budget item in question may be subsumed by a larger spending category that is reported in available data. This is particularly the case with Eurostat data, which maintains a relatively high-level perspective, but also applies to data collected directly from national authorities. This limitation can be addressed to some extent by triangulation with information captured in existing European Semester documentation, particularly the National Reform Programmes.

Limitations pertaining to the rapid evidence assessment

Limited scope. To accommodate the timeframe for the study, the literature review in work package 4 was conceived as a rapid evidence assessment (REA). This type of review, while robust and methodologically rigorous, is nevertheless conducted in a targeted manner, which leaves open the possibility that relevant sources may not have been included. To minimise this possibility, a series of search terms and inclusion/exclusion criteria were piloted and bibliographies of relevant sources were hand-searched.

On a related note, the large number of CSRs under consideration made it impossible to explore the evidence for each CSR–country pair and the potential to support economic growth and jobs. Instead, the literature review focused on collecting broader evidence on the economic potential of the type of measures that were called for by CSRs and put in place by individual member states. However, this approach may not have accounted fully for any idiosyncrasies stemming from the specificities of national contexts.

Limitations pertaining to interpretation of findings

Causality and contribution considerations. This study pays attention to budgetary allocations at EU and national levels, how they changed over time and their relation to AGS priorities and CSRs. However, the interpretation of findings is subject to numerous difficulties. First, the mere fact that a country complies with budgetary suggestions presented in CSRs does not mean the recommendation has determined this policy outcome. Furthermore, it is difficult to ascertain whether a change in spending levels can be interpreted as a contribution to the priorities expressed in the AGS and the underlying goal of economic growth and job creation. To illustrate, an increase in a corresponding budgetary allocation (e.g. infrastructure investment) may not be spent efficiently or in a manner that is conducive to growth and job creation. This is particularly problematic in areas where funds have been committed to a broad thematic area, but it is unclear what precisely they will be used for, or if they will be used at all. A good example of this conundrum are ESI Funds and their appropriations across various thematic objectives and member states. Although the distribution of these funds can be traced, this proliferation obscures uncertainties about the end use of committed funds. Some guidance can be gleaned from existing academic literature assessing the impact of particular types of policies and measures, but this necessarily falls short of an actual evaluation of the effect of various EU and member state fiscal decisions.

In addition, it is possible that even a relative prioritisation of sectors and budget allocations in line with the AGS at the spending levels that are currently implemented is actually inconsistent with the underlying goal of economic growth and job creation. In other words, while the EU and member states may be seen as increasing relevant allocations, the volume of dedicated resources is too small to make a discernible contribution to the stated goals. In this context, it is important to reiterate that the AGS objective of fiscal consolidation, which sets the policy framework for efforts at the national level, is not universally regarded as growth-friendly. It may therefore be difficult to comment on the contribution of individual measures to economic growth and job creation in isolation from a consideration of the entire economic (and political) framework of AGS and SGP.

2. SYNERGIES BETWEEN THE ANNUAL GROWTH SURVEY AND THE EU BUDGET

RESEARCH QUESTIONS ADDRESSED IN THIS CHAPTER

- RQ1a Does the EU budget sufficiently reflect the priority sectors in order to create economic growth, as set out in the Annual Growth Survey (AGS)?
- RQ2a Do EU budgets follow the guidelines set by the AGS through investing in promoting growth and jobs, and increasing the corresponding budget allocations?

KEY FINDINGS

- Of the three main priority areas of the AGS, the EU budget is in a position to act on its calls for greater investment in the EU. Several components of the EU budget can be understood as relevant for AGS priority areas. Among these, the most important ones are sub-heading 1a (Competitiveness of growth and jobs) and ESI Funds (split between sub-heading 1b and subheading 2). Between 2014 and 2017, the volume of financial commitments to the relevant parts of the EU budget increased, both in absolute terms and as a share of the EU budget.
- In addition to the general trends in EU budget allocations, several concrete developments demonstrate the desire to act in line with AGS priorities. To illustrate, the EU made use of Special Instruments to work around existing MFF ceilings and allocated additional funding for Erasmus, Horizon 2020, COSME and CEF, all of which have clear direct links to AGS priorities. In addition, the launch of the EFSI represents a swift mobilisation of resources dedicated to the fulfilment of AGS priorities.
- In order to address arising policy priorities, the EU has increased the flexibility of the EU budget through the use of flexibility instruments, transfers of unused funding allocations and the establishment of new budgetary tools, such as the YEI and the EFSI. The push for greater flexibility is also a major part of the ongoing review of the current MFF and appears to be endorsed by relevant policymakers and experts. If acted on, this is likely to result in an EU budget that is more agile and equipped to reallocate resources in line with evolving EU policy priorities.

2.1. THE CONTEXT OF THE EU BUDGET

The EU budgetary system revolves around three components:

- The Multiannual Financial Framework (MFF)
- The annual EU budget, which contains planned expenditure and revenue for one year
- The rules on own resources, which establish the revenue of the EU

The specificities of the MFF regulation and the EU institutional framework make the EU budget different from budgets at the national or local level. In particular, the EU budget cannot be financed by debt, the power to tax and the choice of the fiscal mix remain at the national level, and there are specific constraints on EU spending and revenue. The MFF also sets the maximum amount of commitment appropriations in the EU budget each year for broad policy areas (the headings) and fixes an overall annual ceiling on payment and commitment appropriations. The EU budget is around 1 per cent of the European Union's gross national income (GNI), while member states' public spending represents, on average, 49 per cent of their GNI. The EU budget therefore amounts to some

2 per cent of total public spending in the EU, reflecting the fact that spending competences and resources in most policy areas are mainly at national and/or local levels.[8]

Nevertheless, due to a number of its characteristics, the EU budget can play an important role in the achievement of EU policy objectives, including investing to promote jobs and growth. Compared to national budgets, the share of the EU budget devoted to investments is higher, and in some countries the EU budget represents a significant source of resources for investment (EPRS 2017b). Co-financing is an important characteristic of the EU budget that can increase its impact on job creation and growth; this means that EU spending is typically used in conjunction with funding from other public and/or private sources, thus resulting in higher total investments (EPRS 2017b). In this perspective, the European Commission stresses that the EU budget is different in nature and function from national budgets, since it is mainly an investment budget with a focus on measures with European added value (EAV).[9] Similarly, as Bénassy-Quéré et al. (2016) noted, the EU budget is used for two tasks commonly associated with federal budgets – provision of public goods common to all regions (e.g. infrastructure and research) and transfers between regions.

The capacity to leverage complementary sources of financing is of particular relevance for the Financial Instruments,[10] which have a high leverage effect and attract a much higher level of private or public funding than the EU contribution (Núñez Ferrer & Katavaris 2014). Innovative financial instruments (triggering equity, quasi-equity, debt or guarantee funding) have been developed in the recent years to support economically viable investments and achieve EU objectives, including support for jobs and growth. While evidence of leveraging was found in some policy areas, such as research and innovation, cohesion, and support to SMEs (Núñez Ferrer & Katavaris 2014), overall financial instruments are reported to not be successful in attracting private capital in the case of ERDF and ESF (ECA 2016). In some policy areas, the pooling of resources at EU level may bring advantages such as economies of scale and elimination of duplication.

The EU budget is therefore relatively small in size but has features that can reinforce its overall impact. In addition, it is worth noting that some funding instruments are outside the EU budget. For instance, this is the case for: the European Development Fund (EDF), which is the EU's main instrument for providing development aid to African, Caribbean and Pacific (ACP) countries and to overseas countries and territories; the European Financial Stability Facility (EFSF), which is a special purpose vehicle financed by members of the Eurozone to address the European debt crisis; and the European Financial Stabilisation Mechanism (EFSM), which is an emergency funding programme reliant upon funds raised on the financial markets and guaranteed by the EC using the EU budget as collateral.

Additional funding to implement EU policy is also provided by the European Investment Bank (EIB). The EIB is jointly owned by the EU member states; it borrows money on capital markets and lends it on favourable terms to projects that support EU objectives. While about 90 per cent of loans are made within the EU, none of the money comes from the EU budget. The EIB has also played, to some extent, a counter-cyclical stabilising role during the economic downturn (Darvas 2014b). In the

[8] For more information on the EU budget and its rules, see Annex F.

[9] We revisit the concept of European Added Value in section 3.3, which discusses the synergies between EU and member states' budgets.

[10] Financial Instruments are measures of financial support provided by the EU budget in order to address one or more specific policy objective by way of loans, guarantees, equity or quasi-equity investments or participations, or other risk-bearing instruments, possibly combined with grants.

immediate aftermath of the crisis, the EIB increased its investments from EUR 47.5 billion in 2007 to EUR 78.8 billion in 2009. In 2012, in response to a weak economic recovery in some member states, the EU Council (European Council 2012) agreed to provide EUR 10 billion of new capital to the EIB, which led to a further increase in the investment (the EIB could leverage up its capital) in 2013 to EUR 71.7 billion. According to the latest EIB report 'Investment and Investment Finance in Europe' (EIB 2016a), in 2015 the EIB provided EUR77.5 billion in long-term finance to support private and public productive investment, and at a first estimate, this helped realise investment projects worth roughly €257 billion. Moreover, in 2015, the EIB, jointly with the European Commission, set up the European Fund for Strategic Investments (EFSI) and allocated EUR 5 billion of its own capital to help mobilise private financing for strategic investments.

The EU budgetary system is designed to ensure the right balance between long-term planning, predictability of investments, budgetary discipline, and the capacity to respond to new challenges and priorities. However, there is general agreement that the EU budget needs reform to fully realise its mission, and several issues are currently debated (see Appendix F for a more detailed discussion). As such, the proposed changes may help improve the EU budget's contribution to the achievement of AGS objectives. We revisit this topic in greater detail in section 2.3.

2.2. PRIORITIES OF THE ANNUAL GROWTH SURVEY AND THEIR RELATION TO THE EU BUDGET

As discussed in section 1.4.1., the reference years for this study are notable for several contextual factors. The legacy of the crisis was still present, fundamental differences across member states persisted in terms of growth, unemployment and public indebtedness, and notable efforts towards fiscal consolidation and structural reforms took place. The priorities of the Annual Growth Survey (AGS) for the three years reflected these contextual specificities of the EU economic and historical moment. The priorities covered by our analysis are presented in Table 1. As seen, the number of priorities published every year ranges from three to five, although there is a strong degree of consistency from one year to another. All three priority areas identified in 2015 can be seen as related to their predecessors in 2014. In one instance (the progression from fiscal consolidation to fiscal responsibility), this relationship is explicit, but strong overlaps also exist between the remaining two 2015 priorities and their 2014 predecessors.[11] Similarly, the AGS priorities for 2015 and 2016 bear very strong resemblances to one another, with each year's edition focusing on the trio of fiscal responsibility, investment and structural reforms.

[11] The 2015 priority of 'Coordinated boost to investment' addresses areas covered by the 2014 priorities of 'Restoring lending to the economy' and 'Promoting growth and competitiveness for today and tomorrow.' The 2015 priority of 'Commitment to structural reforms' addresses areas covered by the 2014 priorities of 'Tackling unemployment and the social consequences of the crisis' and 'Modernising public administration'.

Table 1: AGS priority areas (2014–2016)

YEAR	PRIORITY AREA (AS WORDED IN THE AGS)	AGS PRIORITY CATEGORY
2014	• Pursuing differentiated, growth-friendly fiscal consolidation	A – Fiscal consolidation/responsibility
	• Restoring lending to the economy	B – Pro-growth investment
	• Promoting growth and competitiveness for today and tomorrow	B – Pro-growth investment
	• Tackling unemployment and the social consequences of the crisis	C – Structural reforms
	• Modernising public administration	C – Structural reforms
2015	• A coordinated boost to investment	B – Pro-growth investment
	• A renewed commitment to structural reforms	C – Structural reforms
	• Pursuing fiscal responsibility	A – Fiscal consolidation/responsibility
2016	• Re-launching investment	B – Pro-growth investment
	• Pursuing structural reforms to modernise our economies	C – Structural reforms
	• Responsible fiscal policies	A – Fiscal consolidation/responsibility

Source: AGS 2014–2016

Given the functions of the EU budget, as discussed in section 2.1, not all three AGS priority areas are equally relevant for the EU budget. Applied to the three priority areas in the Annual Growth Survey, these functions largely correspond to calls for greater investment. In turn, the remaining two priority areas, the pursuit of fiscal responsibility and structural reform, can be considered an objective for member state governments.

Similarly, not all parts of the EU budget are relevant to the attainment of the AGS objectives. The current MFF covering the period 2014–2020 is organised in five major headings, of which the first one is divided into two sub-headings (see Table 2). Sub-heading 1a (Competitiveness for growth and jobs) covers a series of relevant Europe 2020 flagship growth initiatives.[12]

It is therefore this MFF sub-heading that is most relevant for an examination of the relationship between the EU budget and AGS priorities, although, as discussed later in this section, sub-heading 1b (Economic, social and territorial cohesion) and heading 2 (Sustainable growth: natural resources) also have implications in these areas, mainly through the use of European Structural and Investment (ESI) Funds. It is for this reason that the remainder of the analysis in this section focuses predominantly on expenditures grouped under sub-heading 1a and ESI Funds.

[12] Notably the following initiatives: 1) An agenda for new skills and jobs, 2) An industrial policy for the globalisation era, 3) Digital agenda for Europe, 4) Innovation Union, 5) Resource Efficient Europe, 6) Youth on the Move (EC 2012).

Table 2: Budget headings under the 2014–2020 MFF

BUDGET HEADING	DESCRIPTION	LINK TO AGS PRIORITIES
1a Competitiveness for growth and jobs	Research and innovation, infrastructure, education and training, social policy, internal markets, trans-European networks	Strong (heading explicitly targets AGS goals)
1b Economic, social and territorial cohesion	Spending in support of convergence of least developed member states and regions	Strong (primarily through ESI Funds)
2 Sustainable Growth: Natural Resources	Common Agricultural Policy, maritime affairs, fisheries, environment and climate action	Strong (primarily through ESI Funds)
3 Security and Citizenship	Justice, internal security, asylum and migration, public health and consumer protection, food safety, culture, media	Weak (limited effect on growth and jobs cannot be ruled out but not heading's main focus)
4 Global Europe	External action	None (not intended for effect within EU)
5 Administration	Administrative costs for all EU institutions, pensions	None

Note: The MFF also includes a heading 'Compensations,' which covers temporary spending associated with Croatia's accession to the EU in 2013.

2.2.1. Spending on MFF subheading 1a and its evaluation

As Table 3 shows, subheading 1a (Competitiveness for growth and jobs) represents the third largest (sub)heading in the EU budget measured by both commitment and payment appropriations. Commitments for subheading 1a ranged from EUR 16.5bn in 2014 to EUR 21.3 billion EUR in 2017 and payments in this area increased from EUR 11.9 billion in 2014 to EUR 19.3 billion in the 2017 budget.

Table 3: EU budget by MFF headings (commitment appropriations, in million EUR)

HEADING	2014	2015	2016	2017	GROWTH '14–'17
1a Competitiveness for growth and jobs	16,484	17,552	19,010	21,312	29.29%
1b Economic, social and territorial cohesion	47,502	60,403	50,831	53,587	12.81%
2 Sustainable growth: natural resources	59,191	63,877	62,470	58,584	–1.02%
3 Security and citizenship	2,172	2,522	4,292	4,284	97.24%
4 Global Europe	8,325	8,711	9,167	10,162	22.07%
5 Administration	8,405	8,660	8,951	9,395	11.78%
Total budget	142,690	162,273	155,277	157,858	10.63%

Sources: 2014 final adopted budget, 2015 last adopted amending budget, 2016 last adopted amending budget, 2017 adopted budget

Note: Figures quoted in current prices. Compensations and Special instruments not shown.

Both types of appropriations for sub-heading 1a grew every year in the current MFF, with the overall growth between 2014 and 2017 amounting to 29 per cent for commitments and 63 per cent for payments. In terms of absolute growth, this makes 1a the second fastest growing heading, after Heading 3 on security and citizenship (see Table 3), which faced substantial pressure in light of substantial instability in EU's neighbourhood and the migration crisis in Europe (D'Alfonso et al. 2017).

The growth in appropriations for sub-heading 1a outpaced the growth of the total EU budget. As a consequence, the shares of EU budget dedicated to sub-heading 1a increased over time – from 11.6 per cent in 2014 to 13.5 per cent in 2017 in commitments, and from 8.5 per cent in 2014 to 14.4 per cent in 2017 in payments (see Table 20 in Annex D). This represents increases in the share of EU budget sub-heading 1a by 16.9 per cent and 69 per cent, respectively. The only instance of sub-heading 1a not increasing its share of the EU budget was commitment appropriations in the 2015 budget, which, in comparison with the 2014 budget, grew less than overall commitments.

Composition of spending on competitiveness, growth and jobs, and its evolution

The MFF sub-heading 1a is an umbrella for a range of varied programmes and initiatives. Slightly more than half of all competitiveness, growth and jobs spending goes to the Common Strategic Framework Research and Innovation, of which the vast majority (more than 90 per cent) is used to fund the Horizon 2020 programme. Other sizable components that have consistently approached or even exceeded 10 per cent of all spending under sub-heading 1a in all reference years are large infrastructure projects, The Union Programme for Education, Training, Youth and Sport (Erasmus+) and the Connecting Europe Facility (CEF). By contrast, other dedicated programmes directly related to AGS priorities (see Table 4), such as the Programme for the Competitiveness of Enterprises and small and medium-sized enterprises (COSME) and European Union Programme for Employment and Social Innovation (EaSI), accounted each for less than 2 per cent of heading 1a spending.

Table 4: Mapping Sub-heading 1a budget lines against AGS priorities

BUDGET ITEM	DESCRIPTION	LINKS TO AGS PRIORITIES
Large infrastructure projects	Includes EGNOS and GALILEO (satellite navigation), ITER (thermonuclear reactor), COPERNICUS (earth observation)	Consistent with: Promoting growth and competitiveness for today and tomorrow (2014); A coordinated boost to investment (2015); Re-launching investment (2016)
European Fund for Strategic Investments (EFSI)	Implements the Investment Plan for Europe, supports and mobilises investment in areas including infrastructure, education, research and innovation, risk finance	Consistent with: A coordinated boost to investment (2015); Re-launching investment (2016)
Nuclear decommissioning assistance programmes	Supports closure of old nuclear power stations and subsequent management of contaminated locations and elements	No explicit links although energy noted as an area for investment
Common Strategic Framework (CSF) Research and Innovation	Includes Horizon 2020 and Euratom Research and Training Programme	Consistent with: Promoting growth and competitiveness for today and tomorrow (2014), A coordinated boost to investment (2015); Re-launching investment (2016)
Programme for the Competitiveness of Enterprises and small and medium-sized enterprises (COSME)	Facilitates access to finance for SMEs with the objective of supporting SME creation, growth and competitiveness	Consistent with: Promoting growth and competitiveness for today and tomorrow (2014), Restoring lending to the economy (2014); A coordinated boost to investment (2015); Re-launching investment (2016)
The Union Programme for Education, Training, Youth and Sport (Erasmus+)	Investment in education, training and youth work aimed at improving skills and employability	Consistent with: Promoting growth and competitiveness for today and tomorrow (2014); A coordinated boost to investment (2015); Re-launching investment (2016)
European Union Programme for Employment and Social Innovation (EaSI)	Supports member states' social and employment reforms through identification and dissemination of best practices and policy coordination	Consistent with: Promoting growth and competitiveness for today and tomorrow (2014); A coordinated boost to investment (2015); Re-launching investment (2016)
Action Programmes for customs, for taxation and for anti-fraud in the European Union	Supports cooperation between member states' tax and custom authorities; supports fight against fraud and corruption	Taxation covered under structural reform and public administration priorities, although mostly from the perspective of tax system design
Connecting Europe Facility (CEF)	Targeted infrastructure investment in trans-European networks in the areas of energy, transport and ICT	Consistent with: Promoting growth and competitiveness for today and tomorrow (2014); A coordinated boost to investment (2015); Re-launching investment (2016)
Energy projects to aid economic recovery (EERP)	Investment in energy infrastructure, mobilised as a recovery response to the economic and financial crisis	Consistent with: Promoting growth and competitiveness for today and tomorrow (2014); A coordinated boost to investment (2015); Re-launching investment (2016)

Note: Budget rows not displayed include: 1) Decentralised agencies, 2) Other actions and programmes, 3) Pilot projects and preparatory actions, 4) Actions financed under the prerogatives of the Commission and specific competences conferred to the Commission

An important development in the Competitiveness, growth and jobs budget was the establishment and launch of EFSI with the objective to lead the implementation of the Investment Plan for Europe. The first appropriations for the Fund were made in the 2015 budget and by the 2017 budget EFSI had come to account for 12.5 per cent of all commitments and 12 per cent of all payments under the 1a subheading.[13] One consequence of the introduction and rapid build-up of EFSI was that, while spending on all budget categories within heading 1a increased in absolute terms between 2015 and 2017, the size of individual categories as a share of the overall 1a budget generally declined (see Table 21 in Annex D). Two notable exceptions to this trend include spending on ERASMUS+ and CEF, which increased their share of overall 1a spending, even after the introduction and growth of EFSI.[14]

2.2.2. European Structural and Investment Funds

In addition to expenditures under sub-heading 1a, the EU also supports the achievement of AGS priorities through the European Structural and Investment (ESI) Funds, the objective of which is to invest in job creation and sustainable economy. The ESI funds are European Regional Development Fund (ERDF), European Social Fund (ESF), Cohesion Fund (CF), European Agricultural Fund for Rural Development (EAFRD), and European Maritime and Fisheries Fund (EMFF). Complementary to ESIF activities, particularly the ESF, is the Youth Employment Initiative (YEI), established to support young people living in regions with high levels of youth unemployment. The EU budget for the entire current MFF for the Funds stands at EUR 454 billion and foresees on average an EU co-financing rate of 65.5 per cent, bringing the combined EU and member states' total investment budget to EUR 638 billion. The ERDF is by far the largest Fund, approximately double the size of the next largest fund, EAFRD (see Table 22 in Annex D).

ESIF investments are organised in 14 thematic areas, which are laid out in Table 5 below, along with their high-level mapping against AGS priorities. The largest amount of EU funding is designed for investments in the area of SME competitiveness, followed by environmental protection/resource efficiency and network infrastructures in transport and energy. Not every thematic area is supported by every Fund and major differences exist in the number of thematic areas supported by each Fund (see Table 23 in Annex D). For instance, ERDF resources are invested in every thematic area while CF, EMFF and ESF focus on a small subset of themes.

[13] The extent to which EFSI is able to act in synergy with spending undertaken at the national level is subject to analysis in section 3.3.

[14] In the case of CEF, its share of subheading 1a increased almost 50 per cent between 2015 and 2017, although this is partly due to the relative decrease in its commitments between 2014 and 2015.

Table 5: Distribution of ESIF allocations across thematic areas and links to AGS priorities (MFF 2014–2020)

ESIF THEMATIC AREA	LINK TO AGS PRIORITIES
Climate Change Adaptation & Risk Prevention (EUR 28,850 million)	- Climate action one of areas for investment (2014) - Forward-looking climate change policy covered under Renewed commitment to structural reforms (2015) - Climate change not explicitly mentioned under the three priority areas (2016)
Competitiveness of SMEs (EUR 63,753 million)	- Calls for support for SMEs in areas such as access to finance and regulatory reform (2014) - Support to SMEs covered under Renewed commitment to structural reforms (2015, regulatory reform) and Boosting investment (2015, access to finance) - SME job creation and innovation covered under Pursuing structural reforms to modernise our economies (2016)
Educational & Vocational Training (EUR 34,554 million)	- Education one of areas for investment (2014) - Education one of areas listed under Boosting investment (2015), also addressed under Renewed commitment to structural reforms (2015) - Education one of areas under Re-launching investment (2016)
Efficient Public Administration (EUR 5,066 million)	- Modernising public administration one of five AGS priority areas (2014) - Improving public administration efficiency one of areas under Renewed commitment to structural reforms (2015) - Efficient public administration explicitly addressed under Pursuing structural reforms to modernise our economies (2016)
Environment Protection & Resource Efficiency (EUR 61,836 million)	- Resource efficiency highlighted under heading Promoting growth and competitiveness for today and tomorrow (2014) - Resource efficiency covered under Boosting investment (2015) - Resource efficiency covered under Pursuing structural reforms to modernise our economies (2016)
Information & Communication Technologies (EUR 14,218 million)	- Digital connections and telecommunications covered under heading Promoting growth and competitiveness for today and tomorrow (2014) - Information and communications technology covered under Renewed commitment to structural reforms (2015) - This topic not explicitly covered in 2016, although infrastructure more broadly addressed under Re-launching investment (2016)

ESIF THEMATIC AREA	LINK TO AGS PRIORITIES
Low-Carbon Economy (EUR 44,955 million)	- Low-carbon economy not explicitly addressed in 2014 and 2015 but linked to climate action and resource efficiency (see above) - Circular economy covered under Pursuing structural reforms to modernise our economies (2016)
Network Infrastructures in Transport and Energy (EUR 58,543 million)	- Improvements in energy, infrastructure and networks covered under heading Promoting growth and competitiveness for today and tomorrow (2014) - Infrastructure, energy and networks covered under Boosting investment (2015) and also Renewed commitment to structural reforms (2015) - Infrastructure and energy among areas under Re-launching investment (2016)
Research & Innovation (EUR 43,407 million)	- Research one of areas for investment (2014) - Research one of the areas under Boosting investment (2015), quality of investment also addressed under Renewed commitment to structural reforms (2015) - Research and innovation discussed under Re-launching investment (2016), improving quality in these areas also discussed under Pursuing structural reforms to modernise our economies (2016)
Social Inclusion (EUR 44,554 million)	- Active inclusion strategies covered under heading Tackling unemployment and the social consequences of the crisis (2014) - Social inclusion explicitly addressed under Pursuing fiscal responsibility (2015), social protection systems more broadly also under Renewed commitment to structural reforms (2015) - Social inclusion and social investment more broadly part of Re-launching investment (2016)
Sustainable & Quality Employment (EUR 40,481 million)	- Employment primarily covered under heading Tackling unemployment and the social consequences of the crisis (2014) - Employment and labour market primarily covered under Renewed commitment to structural reforms (2015) - Labour market primarily addressed under Pursuing structural reforms to modernise our economies (2016)

Sources: ESIF portal, AGS 2014–2016

Note: Discontinued Measures (128m), Outermost & Sparsely Populated Regions (675m) and Technical Assistance (13,398m) not shown

Evolution of ESIF Funding in EU budgets

The implementation of ESIF investments is very much in progress. According to national and regional programme reporting, as of November 2016, the implementation of less than 20 per cent of the funds available had been decided upon and less than 2 per cent had been spent (EC 2017c). For that reason, it is not possible to trace the evolution of ESIF spend throughout the reference period 2015–2017. However, it is possible to examine changes in the allocations under relevant MFF headings.

Individual Funds are split among two different headings. CF, ERDF and ESF, as well as the YEI, fall under subheading 1b (Economic, social and territorial cohesion), while the remaining two funds (EFRD and EMFF) fall under heading 2 (Sustainable growth: natural resources). As seen in Table 20: Share of EU budget by MFF heading (commitment appropriations, 2014–2017), sub-heading 1b represents about a third of the EU budget as expressed by both commitment and payments appropriations. A budget line 'Investments for growth and jobs', which covers convergence and cohesion spending through ESI Funds, represents the vast majority (over 90 per cent) of all appropriations. Year-on-year changes in the size of commitments under this sub-heading varied between 2014 and 2017, with a substantial (27 per cent) increase in 2015, followed by a 16 per cent decrease in 2016 and a 5 per cent increase in 2017. Over the entire period of 2014–2017, commitments on subheading 1b grew 13 per cent, slightly outpacing the growth of the EU budget as a whole, and therefore slightly increasing the share of EU budget that is dedicated to economic, social and territorial cohesion.

Bringing together subheadings 1a and 1b, the combined Heading 1 (Smart and inclusive growth) represented nearly half (47.5 per cent) of all commitments in the 2017 budget. Over the period 2014–2017, the difference between share of the EU budget going to Heading 1 and that going to the next largest Heading 2, the majority of which is dedicated to Common Agricultural Policy, grew by seven percentage points. However, the significance of any trends should not be overstated. To start with, increases in budgetary allocations in latter years of the MFF can be simply a reflection of delays or slow starts in the launch of various programmes (ECA 2016, Núñez Ferrer et al. 2016).[15] In addition, we reiterate that trends in EU spending are constrained by budget ceilings and boundaries agreed to as part of the overall MFF. We discuss this limiting factor and the extent to which this may hinder the pursuit of AGS objectives in the next section.

2.3. INCREASED FOCUS ON FLEXIBILITY IN THE EU BUDGET IN SUPPORT OF AGS PRIORITIES

The ceilings and boundaries of the EU budget ensure budgetary discipline, but may limit the flexibility to respond to events and changes in policy priorities. Since the beginning of the current MFF, the EU has been confronted with many unforeseen circumstances and crises, including the legacy of the economic and financial crisis, a significant remaining investment gap, the migration crisis, and security threats. However, addressing new priorities has proven very difficult because annual EU budgets are locked in a framework designed for seven years (see Annex F).

[15] To counter the possibility of slow programmatic starts, the European Commission took the decision to frontload, in the MFF's early years, programmes expected to boost growth and employment (HM Government 2014). For instance, €212.2 million of funding for Horizon 2020 was frontloaded in the first year of the current MFF (Carlberg & Malan 2016). Pre-financing as part of the YEI (see section 2.3) can also be seen as an effort to help ensure swift mobilisation of resources.

In response, the EU institutions have made an effort to address the new challenges by undertaking a series of measures and steps (EPRS 2017a). These included resorting to the relevant flexibility tools available in the first years of the MFF; a revision of the MFF to allow the transfer of unused 2014 funding allocations under shared management to 2015 and beyond; and the establishment of budgetary tools at least partially outside the EU budget that combine financing from the EU budget itself and from other sources.[16] In a recent example, specifically with respect to AGS priorities, the 2017 annual budget mobilised EUR 1,439.1 million to finance additional allocations under subheading 1a 'Competitiveness for growth and jobs' under the Global Margin for Commitments (EPRS 2017b). The additional allocations were earmarked for Erasmus, Horizon 2020, COSME and CEF, all of which have clear direct links to AGS priorities (EC 2016a).

With regards to budgetary tools combining financing from the EU budget with other sources, two financial initiatives fall clearly in the scope of our analysis, the Youth Employment Initiative and the European Fund for Strategic Investments.

The **Youth Employment Initiative** is one of the main EU financial resources to support the implementation of Youth Guarantee schemes. It was launched to provide support to young people living in the regions where youth unemployment was higher than 25 per cent in 2012 and is implemented in line with ESF rules (Núñez Ferrer et al. 2016). The total budget (for all eligible EU member states) of the YEI is EUR 6.4 billion for the period 2014–20 (European Council 2013). Of the total budget, EUR 3.2 billion comes from a dedicated Youth Employment budget line complemented by EUR 3.2 billion more from the ESF. The ESF contribution is topped up by the eligible member states' own financial resources. In order to mobilise faster YEI actions on the ground, substantial funding was released to member states in the form of pre-financing, which in 2015 was exceptionally increased to 30 per cent of the special YEI budget line (EC 2015b). Given that unemployment is still very high, the EC proposed on September 2016 to increase the YEI budget from EUR 6.4 to EUR 8.4 billion (EC 2016e). Thus, the YEI overall resources will be increased by EUR 2 billion for 2017–2020 if the Council and the European Parliament adopt the Commission's proposal. In summary, while no detailed evaluation of the programme is available yet, an assessment by Núñez Ferrer (2016) found promising results in terms of its commitments and implementation.

The **European Fund for Strategic Investments** is an initiative launched jointly by the EIB Group – European Investment Bank and European Investment Fund – and the European Commission to help overcome the current investment gap in the EU by mobilising private financing for strategic investments (EU 2015). EFSI is one of the three pillars of the Investment Plan for Europe that aims to revive investment in strategic projects around Europe to ensure that money reaches the real economy. For EFSI to be established, the EU grants a Guarantee, the risks of which are covered by a Guarantee Fund (EU 2015). This Fund is established by a gradual contribution from the EU budget, reaching EUR 8 billion by 2020, constituted partly by the MFF unallocated margins (EUR 3 billion) and

[16] Annex 5 of EPRS (2017b) offers details of the flexibility provisions and special instruments employed so far in the 2014-2020 MFF.

the rest by redeployments from existing programmes, namely Horizon 2020[17] and Connecting Europe Facility (CEF).[18]

Improving the flexibility of the current MFF and revision of the MFF ceilings, in the light of new events and priorities, is also one of the key issue in the ongoing debate on the mid-term review/revision of the MFF, as evidenced by COM's proposal from September 2016 (see a detailed discussion of the process in Annex F) (EC 2016d, 2016e). There seems to be a high degree of consensus around the fact that the flexibility and influence for short-term crisis intervention remains a weakness that must clearly be addressed (HLGOR, 2016), and that any future reform should aim for a budget that is evidence-based, more agile, and more efficient (Clingendael 2016).

In recent years, the adoption of the EFSI and the YEI, and the use of other special measures, have been an impressive show of flexibility. However, it is doubtful whether such arrangements could be repeated, as the rules have already been stretched and the margins that have been used cannot be found again in the present framework (HLGOR, 2016). The EU budget's flexibility instruments have all been used up halfway through the MFF's term, leaving virtually no room for manoeuvre for unforeseen measures (Becker 2016).

With little margin left for reacting to changes, and the awareness that the present degree of flexibility will not suffice under similar pressures in the years to come, the ongoing mid-term revision/review of the MFF represents an important process.[19] Assessing the functioning of the 2014–2020 MFF in its first years, the EP drew attention to the budgetary implications of a number of serious crises and new political initiatives that were not anticipated in 2013, and on this basis demanded – among others – the provision of additional resources in key areas of concern, the strengthening of flexibility provisions and special instruments, and measures to avoid a repeat of high year-end payments backlogs towards the end of the current MFF (EPRS 2017a).

After the negotiations, and the agreement of the Council of 7 March 2017 on the revision of the MFF 2014–2020, the European Parliament adopted a resolution (EP 2017b) amending the MFF regulation on 5 April 2017. Among the key points of the agreement is the additional support of EUR 2.1 billion to jobs and growth, and the reinforcement of the Flexibility Instrument and the Emergency Aid Reserve, which will allow more funds to be shifted more easily between budget headings and years, in order for the Union to be able to react to unforeseen events and new priorities.

The European Court of Auditors (ECA) states that the mid-term review package will contribute to the allocation of more resources to identified priorities, increasing the flexibility of the budget and simplifying implementing rules (ECA 2016). In a similar vein, the revision put forward by the

[17] An assessment of the Horizon 2020 programme (Carlberg & Malan 2016) noted that fewer projects were expected to be funded as a consequence of the cut. However, this shortfall was to be compensated for through EFSI investments.

[18] An assessment of CEF (Papi et al. 2016) noted that the budget cuts to CEF's budget contributed to a perception of a possibly overall insufficient budget allocation for CEF. This was seen to be manifested in, among others, the necessity to reject numerous high quality applications for funding. At the same time, the assessment reiterated that the reallocated resources were intended to continue to benefit areas covered by CEF, albeit through EFSI.

[19] The introduction of a mid-term revision was one of the European Parliament's pre-conditions for accepting the MFF 2014–2020.

Commission is generally seen as a move in the right direction of improving the functioning of the EU budget and its capacity to respond to new priorities and unforeseen events (CEPS 2016).

3. THE PRIORITIES OF THE NATIONAL BUDGETS IN RELATION TO AGS/CSRS AND THE REFLECTION OF CSRS IN NATIONAL BUDGETS

RESEARCH QUESTIONS ADDRESSED IN THIS CHAPTER

- RQ1b Do national budgets reflect the relevant parts of the Country-Specific Recommendations?
- RQ2b Do national budgets follow the guidelines set by the AGS and CSRs through investing in promoting growth and jobs, and increasing the corresponding budget allocations?

KEY FINDINGS

- While member states generally report having acted on the vast majority of received CSRs (94 per cent), only a fraction of recommendations are reported as fully addressed (20 per cent). Member states reporting on no action with regard to particular CSRs is rare (4 per cent). The level of implementation, however, varies across policy areas and member states. The European Commission's assessments paint a less positive picture, with findings of 'substantial progress' applied to only 4 per cent of CSRs. In nearly half of all cases, the Commission saw either limited progress (38 per cent) or no progress at all (5 per cent). Correspondingly, in instances where member states' and COM assessments differ, member states' self-reporting tends to offer a more positive view of the degree of implementation. There do not appear to be any clear patterns of CSR implementation by country, with the exception that countries under greater economic pressure seem to tend towards higher compliance with CSRs.
- Contrary to the relatively low rate of CSR implementation, compliance with the country-specific medium-term objectives (MTOs) in 2014 and 2015 was high, with only two countries assessed by the COM as deviating from their objectives. However, based on projections for the years 2016 and 2017, only four countries are assumed to be compliant with their MTOs. Furthermore, assessments of compliance with SGP provisions on the Draft Budgetary Plans and based on the Stability Programmes (published six months later) seem to be generally consistent.
- The relatively low degree of implementation of CSRs can also be gleaned from the high frequency with which individual CSRs are repeated with related or similar content the following year. This was the case for 68 per cent of CSRs issued in 2014 and for 84 per cent of 2015 CSRs in 2016. The limited extent to which CSRs are implemented was also noted by existing literature on the topic, which highlighted substantial differences in compliance across individual countries and CSR types.
- The exploration of available budget data revealed a similar pattern to that emerging from national documents: the extent to which national budget allocation changed following the issuance of CSRs varies across member states and policy areas, with a persistently high share of changes in the opposite direction as that called for by the CSR in question. However, budgetary data is an imperfect source, due to a possible lack of consistency across years and spending categories, and due to limited availability of data disaggregated at the appropriate level. In addition, budgetary data does not make any statement about the relationship between CSRs and budgetary indicators.

3.1. REFLECTION OF AGS PRIORITIES AND CSRS IN NATIONAL MACROECONOMIC DOCUMENTATION

Across all 12 countries selected for in-depth analysis, a total of 159 CSRs were adopted in 2014, 2015 and 2016. Taking into account the CSRs for which an assessment by the member states (NRP, SCP or Draft Budgetary Plans[20]) and by the European Commission (Country Reports, Assessments of Stability and Convergence Programmes) exists and has been reviewed (CSRs 2014 and 2015 and 2016 CSRs for Eurozone member states) and excluding the CSRs that were deemed irrelevant for our analysis (see section 2.2.2), a total of 106 CSRs remain relevant (see Table 6).

Table 6: Number of relevant CSRs with reviewed implementation assessments

CATEGORY	NUMBER
Overall CSRs (12 In-Depth Countries)	159
CSRs 2014 and 2015 + Eurozone 2016	149
CSRs with budgetary implications	106

Of these, 52 are classified as relating to Social Policies (sometimes along with other categories), 49 CSRs are categorised as relating to Public Finances, 18 to Market Policies, 5 to Public Administration, 3 to Labour Market and 1 to Financial Markets (again, in a few instances CSRs straddle multiple categories). Given that, as indicated, some CSRs relate to up to three categories, the number of CSRs in each category does not reflect the total number of CSRs with budgetary implications. Also, CSRs vary in the number of their components, meaning that some CSRs might take a smaller number of steps to implement.

According to the reporting made by member states in their National Reform Programmes, Stability and Convergence Programmes and Draft Budgetary Plans, this study categorised the implementation progress on particular CSRs.[21] In the area of Public Finances, member states reported that implementation had begun for about 78 per cent of CSRs, while 16 per cent of recommendations were reported as completed and 6 per cent were not discussed or planned by member states. In relation to Social Policy recommendations, member states reported that implementation of 73 per cent of CSRs had begun, that implementation of 23 per cent is complete, and that for 2 per cent member states either were not planning measures, or had planned them but had not begun to implement them yet. Overall, implementation in the area of Social Policy has been reported as higher by member states than implementation in the area of Public Finances. Implementation in the areas of Labour Market and Public Administration has also been reported as relatively high. Implementation of CSRs in the area of Market Policy has been reported as begun in a large majority of cases. In total, a majority of CSRs have been reported as begun, followed by the reporting of completed implementation. No reporting on implementation or reporting on planned implementation is rare.

[20] Draft Budgetary Plans are submitted only by Eurozone members.
[21] See section 2.2.2 for an explanation of our assessment approach.

Table 7: Member state-reported implementation of CSRs (2014–2016) by CSR category

STATUS	PUBLIC FINANCES	SOCIAL POLICY	LABOUR MARKET	MARKET POLICY	PUBLIC ADMIN	FINANCIAL MARKETS
Implementation complete	8	12	1		2	
Implementation begun	38	38	2	17	3	1
Planned to implement but not started yet		1		1		
Not discussed, not implemented, not planned	3	1				
Total	49	52	3	18	5	1

Note: Some CSRs refer to two or three categories. Therefore, the figure under this table might not add up to the total number of relevant CSRs identified above. This is the reason why no total number on the implementation level is provided.

3.1.1. Member states' self-reported assessments

Based on self-reporting by the member states in National Reform Programmes, Stability and Convergence Programmes and Draft Budgetary Plans, implementation has been completed for 21 of the relevant CSRs (20 per cent). For 79 relevant CSRs (75 per cent), implementation has begun, while it is planned but not started for 2 relevant CSRs (2 per cent). Four CSRs (4 per cent) included in this analysis have not been discussed, implemented or planned.[22] A majority of CSRs have therefore been reported as begun by the member states.

Of the four CSRs that were reported as not planned, two each were addressed to Poland and Sweden. Both Swedish CSRs were in the area of Public Finances, while for Poland, one was in the area of Public Finances and one was in the area of Social Policy. With regard to Poland and its 2015 CSR in the area of Public Finances, while the adjustment path towards the medium-term objective (MTO) was adequate in 2015, the 2016 Convergence Programme foresees a change in the structural balance of –0.8 per cent in 2016. Furthermore, Poland did not report on the recommendation to limit the use of reduced VAT rates. Poland also announced no action in its 2016 National Reform Programme regarding the pension-related CSR2 2015. In 2014 and in 2015, the Council recommended that Sweden limit tax deductibility of interest payments on mortgages, in order to moderate private indebtedness. The Swedish government argued, however, in two subsequent years, that a fast tax relief on interest could have negative effects on household consumption and economic recovery.

The two CSRs for which implementation has been planned but not started were both addressed to Belgium in 2016. In the area of Social Policy, it was recommended by the Council to move forward with education and vocational training reforms and to provide training support for disadvantaged groups. In its Draft Budgetary Plan for 2017, the Belgian government stated that it planned to modernise the labour market, including ambitious training policies. It was also recommended that Belgium address shortfalls in transport infrastructure and energy generation capacity. The Belgian

[22] See section 2.2.2 for an explanation of our assessment approach.

government stated that a national strategic investment pact (*pacte national pour les investissements stratégiques*) was being elaborated (Belgian Federal Government 2016).

The Czech Republic reported the complete implementation of five CSRs. Belgium has reported on four completed CSRs and Austria on two. The other countries with at least one completed CSRs are Italy (three CSRs), the UK (three CSRs), and Ireland, Germany, Latvia and Sweden (one CSR each).

The CSRs that were reported as completed by the government of the Czech Republic are related to Public Finances and Social Policy as well as Public Administration. Belgium has reported on completed CSRs in the areas of Social Policy, Public Finances and Labour Market. Austria's completed CSRs relate to Public Finances and Social Policy. The Italian CSRs are in the area of Public Administration and Social Policy and the British CSRs relate to Public Finances and Social Policy. Ireland has reported on one completed CSR in Social Policy, while Germany's, Latvia's and Sweden's are all in Public Finances.

In the majority of cases, member states have reported that implementation of particular CSRs has been started. As particular recommendations can imply a certain number of policy measures at the national level, implementation of the recommendation can take several years. In rare cases, national governments did not discuss the CSR or clearly stated that no action will be taken in order to address the recommendation. The main reason for such a statement is that the government concerned does not agree with the recommendation and with its policy implications. One example of this is the already stated recommendation to Sweden in 2014 and 2015 to limit tax deductibility of interest payments on mortgages, with the aim of moderating private indebtedness. The Swedish government agreed in theory that the tax system can have an influence on household indebtedness. However, it rejected the recommendation, arguing that rules for decisions to buy a home needed to remain stable and predictable and that measures in this area therefore needed to take a long-term perspective to prevent negative effects on growth. Overall, approximately one fifth of CSRs have been reported as completed, meaning that all the planned measures have been implemented according to the member state concerned.

Table 8: Member state-reported implementation of CSRs (2014–2016) by member state

STATUS	AT	BE	CZ	FR	DE	IE	IT	LV	PL	ES	SE	UK	TOTAL
Implementation complete	2	4	5		1	1	3	1			1	3	21
Implementation begun	4	5	6	14	6	6	8	10	5	11	1	3	79
Planned to implement but not started yet		2											2
Not discussed, not implemented, not planned									2		2		4
Total	6	11	11	14	7	7	11	11	7	11	4	6	106

Box 1: Illustrative vignette on CSR implementation: Shifting taxation away from labour

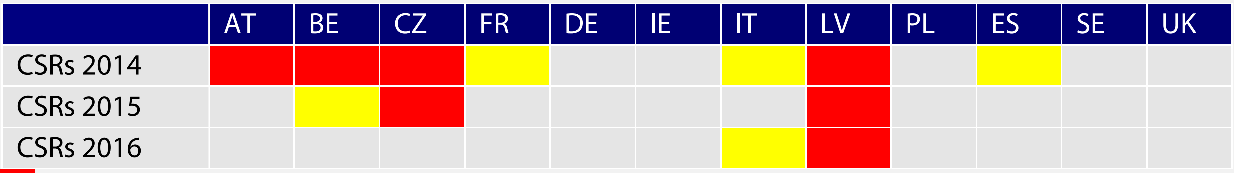
The high tax burden on labour has been a long-standing problem in Europe with differences of 40 per cent between member states in the cost of employing a worker at the average wage and worker's take-home pay (AGS, 2015). The Annual Growth Surveys for 2014, 2015 and 2016 all set 'shifting taxes away from labour' as a priority in view of its positive impacts on labour supply and demand. Employment and growth can be stimulated by shifting the tax burden away from labour towards other types of taxes which are less detrimental to growth, such as recurrent property, environment and consumption taxes, taking into account the potential distributional impact of such a shift (AGS, 2015).

In 2014, out of the twelve member states analysed in our study, seven received recommendations on shifting taxation from labour (Austria, Belgium, the Czech Republic, France, Italy, Latvia, and Spain). For Belgium, the request was part of a larger recommendation of preparing a comprehensive tax reform. In line with the AGS, the recommendations revolved around reducing the high level of taxation on labour by shifting revenues towards sources less detrimental to growth, such as consumption, property, and environmental taxes. All the seven member states included specific measures in their 2015 National Reform Plans to reduce the tax burden on labour by reducing the tax rate (e.g. Austria, Latvia, Spain) or by introducing tax payer deductions and tax credits (e.g. the Czech Republic, Italy). Five member states are following the recommendations and, in order to shift the tax burden, presented – among others – the following measures: measures concerning VAT (Belgium, France and Spain), excise duties on tobacco products (the Czech Republic and Latvia), raising the revenues of corporation taxes on property (Belgium and Spain), a tourist tax (France) and taxation of gambling (the Czech Republic). Austria and Italy did not include in their NRPs specific references to 'shifting measures'.

In 2015, three member states received a recommendation specifically related to shifting the tax burden away from labour (Belgium, the Czech Republic and Latvia). The Belgian government has taken measures to shift the tax on labour to other sources of income that have a less disruptive effect on growth; in particular, it has introduced new taxes concerning excise duties. In its 2016 NRP, the Czech Republic stated that it was carrying out activities to achieve the declared increase in environmental fees. Latvia reported introducing several tax amendments related to consumption and environment taxes: the excise-duty rate has been increased on alcoholic beverages, all tobacco products and certain petroleum products.

In 2016, out of the twelve member states analysed in our study, only two received recommendations on shifting taxation from labour (Latvia and Italy). For the third year in a row, the EC recommended that Latvia 'reduce the tax wedge for low-income earners by exploiting a growth-friendly tax shift towards environmental and property taxes' (CSR1). In its assessment of the implementation of CSR 2016, the EC stated that 'limited progress has been made in shifting the tax burden away from low-wage earners […]. The tax wedge on low-wage earners remains high, while there is a scope to shift taxation to consumption, property and capital' (COM Country Report, February 2017). Italy's 2017 Budget Law contains several measures affecting the tax wedge on labour, and the EC confirms that some progress has been made in shifting the tax burden from productive factors onto consumption and property (COM Country Report, February 2017).

Figure 2: Overview of CSRs related to shifting taxation away from labour (prevalence and EC assessment of implementation as presented in n+1 COM country reports)



red = 'no progress' or 'limited progress'
yellow = 'some progress'

3.1.2. Commission-authored assessments

The European Commission assesses the progress towards the CSRs in the Country Reports, which are published in the spring. The assessment refers to the CSRs of the European Semester *n–1*. This means that progress towards the CSRs of the European Semester 2015 is assessed in the Commission's Country Reports of the European Semester 2016. The assessment of compliance with the SGP and, therefore, of parts of the CSRs that refer to the EDP, MTOs and debt rule, are assessed in the Commission's assessment of Stability and Convergence Programmes. For reasons of simplicity of the analysis, this assessment was analysed separately from the analysis of the assessment contained in the Country Reports.

Taking our previous selection of relevant CSRs as a basis and not taking those CSRs into account for which no assessment is made in the Country Reports,[23] we counted a total of 98 relevant CSR assessments. The overall assessment of the CSRs by the Commission as presented in the Country Reports has been adapted according to our selection of relevant CSRs and CSR subcategories. This means that the assessment of a subcategory, which we have declared as having no budgetary implications, has been deleted and the overall assessment of the CSR adapted accordingly.

Based on this methodology, progress under a total of four CSRs has been classified by the Commission as 'substantial', 52 as 'some', 37 as 'limited' and 5 as 'no'. With regard to Sweden, in 50 per cent of the CSRs, the Commission identified that no progress has been made, whereas under the other half, some progress can be identified. In Poland, nearly 30 per cent of the recommendations have not been addressed. According to the Commission, France has made substantial progress on two CSRs, some progress on 38 per cent and limited progress on 46 per cent of CSRs. Italy and Spain made substantial progress under one CSR each. Italy has made substantial or some progress in 64 per cent and limited progress in 36 per cent of cases. On over 70 per cent of CSRs, Germany has made only limited progress, compared to approximately 30 per cent in which some progress has been made. Those countries that have made substantial or some progress on more than 50 per cent of CSRs are Belgium, the Czech Republic, France, Ireland, Italy, Latvia, Spain and the UK. Only Austria, Germany, Poland and Sweden have made limited or no progress on more than 50 per cent of CSRs.

[23] In this case, the CSR concerned does not contain recommendations other than in reference to the SGP. Therefore, the assessment is done in the assessment of the Stability and Convergence Programmes.

Table 9: Commission assessment of progress on CSRs by country (in Country Reports, excluding assessment of SGP)

PROGRESS	AT	BE	CZ	FR	DE	IE	IT	LV	PL	ES	SE	UK	TOTAL
Substantial				2			1			1			4
Some	2	6	6	5	2	5	6	6	2	6	2	4	52
Limited	3	4	4	6	5	1	4	4	3	2		1	37
None						1			2		2		5
Total	5	10	10	13	7	7	11	10	7	9	4	5	98

Keeping in mind that the sample of countries analysed here is limited, we explored whether there are any discernible trends in CSR implementation across member states. To that end, Table 10 captures the share of CSRs that were assessed as having seen at least 'some' progress. There does not appear to be any pattern based on factors such as geography, size of national economy, Eurozone membership or length of EU membership. In other words, based on the information collected, it is impossible to say, for instance, that larger, older, or more northerly European countries exhibit higher levels of compliance with CSRs. However, we note that the three most compliant countries based on the metric below, IE, ES and UK, are, or have until recently been, subject to the Excessive Deficit Procedure. In addition, the fourth most compliant country, Italy, received substantial EIB support for its banking system. This may suggest that countries in financially or economically difficult situations, and countries under financial assistance programmes and/or the Excessive Deficit Procedure, may act more forcefully on CSRs.[24] The most obvious rebuttal to this hypothesis is Poland, which shows the least progress and was until 2015 under EDP. Still, Poland, along with the other least compliant countries, Germany, Austria and Sweden, was considered among the more robust European economies in the aftermath of the economic and financial crisis. Ultimately, we reiterate that this analysis is based on a subset of countries and years, so any link to difficult economic conditions needs to be seen as a hypothesis rather than a firm conclusion.

Table 10: Progress on CRS implementation (COM Assessment) per member state

	AT	BE	CZ	FR	DE	IE	IT	LV	PL	ES	SE	UK
Share of 'substantial' and 'some' progress	40%	60%	60%	54%	29%	71%	64%	60%	29%	78%	50%	80%

With regard to the progress of implementation in different policy areas, the Commission observed substantial progress in the areas of Social Policy, Labour market and Financial Markets. In the area of Public Finances, which includes, among other things, taxation, the Commission did not observe substantial progress on any of the CSRs relevant for this study. Out of 41 CSRs in the area of Public Finances, some progress was stated in 17 cases and limited progress in 21 cases. No progress was observed in three cases. This means that in 51 per cent of cases, limited progress was made and in 41 per cent, some progress. Under Social Policy, out of 51, substantial progress was seen in one case, some progress in 28 cases (55 per cent), limited progress in 20 (39 per cent) and no progress in two

[24] A broadly similar suggestion was put forward by Darvas and Leandro (2015a), as discussed in greater detail in section 3.1.3.

cases. Therefore, overall progress seems to be higher in the area of Social Policy than in the area of Public Finances. As for Labour Market, in two cases substantial progress was made, according to the Commission, and in one case limited progress. On 11 CSRs under Market Policy, some progress was made, while on seven cases limited progress has been observed. As for Public Administration, in four cases some progress was made and in one case limited progress was. On the only relevant CSR under Financial Markets, substantial progress was made, which makes this area the one with the highest implementation rate.

Table 11: Commission assessment of progress on CSRs by policy area (excluding SGP)

STATUS	PUBLIC FINANCES	SOCIAL POLICY	LABOUR MARKET	MARKET POLICY	PUBLIC ADMIN	FINANCIAL MARKETS
Substantial Progress		1	2			1
Some Progress	17	28		11	4	
Limited Progress	21	20	1	7	1	
No Progress	3	2				
Total	41	51	3	18	5	1

Note: Some CSRs refer to two or three categories. Therefore, the figure under this table might not add up to the total number of relevant CSRs identified above. This is the reason why no total number on the implementation level is provided.

In addition, utilising an annual overview compiled by the European Parliament (Hradisky 2016, Hradisky et al. 2016), we analysed the extent to which individual CSRs are repeated with related or similar content in the following year's European Semester. Out of 53 relevant CSRs issued in 2014, 36 (68 per cent) were repeated with related or similar content in 2015. Out of 32 relevant CSRs issued in 2015, 27 (84 per cent) were repeated with related or similar content in 2016. Overall, then, the repetition rate is very high. Assuming that CSRs are only repeated in the subsequent European Semester cycle if the level of implementation is insufficient and more action is desirable, this observation can be further interpreted as an indicator that progress under particular CSRs is generally low.

Box 2: Illustrative vignette on CSR implementation: Investment in infrastructure

More and better investments in infrastructure are needed in the EU to unlock the potential for long-term growth and job creation (Chatham House 2014; EIB 2016c). Investments should target strategic infrastructure: transport and logistics, energy, telecommunications, water and waste. In particular, the AGS 2014 and 2015 recalled that considerable investment is still needed in energy infrastructure across Europe and that member states should modernise the transport sector infrastructure and remove obstacles to the development of the rail services sector. Alongside the 2015 AGS, the Commission also presented the 'The Investment Plan for Europe' which provides additional financial resources for investing in infrastructure in order to boost economic growth and job creation.

The focus of this vignette is on public investment in infrastructure (and its reflection on national budgets), but it also touches on the member states' actions and reforms to address structural bottlenecks and resolve barriers to infrastructure investment.

In 2014, out of the 12 countries analysed in our study, six received recommendations related to infrastructure investment. Three member states received recommendations on infrastructure in the transport sector (France, Italy and Latvia), two in the energy sector (Italy and Latvia) and one on communication infrastructure (Latvia). General recommendations were also issued on planning and assessing future major infrastructure projects (Spain and UK). For two member states (Germany and Italy) the recommendation had specific budgetary implications. The EC recommended Germany 'use the available scope for increased and more efficient public investment in infrastructure, education and research' (CSR1). Addressing the recommendations, the German federal government announced an additional EUR 5 billion for transport infrastructure up to 2017, and that from 2016 to 2018 it will provide a total of EUR 10 billion to be used for additional investment, including public transport infrastructure, flood control, measures to increase energy efficiency, the digital infrastructure, climate protection and the promotion of urban development (Germany NRP 2015). It was recommended that Italy preserve 'growth-enhancing spending like […] essential infrastructure projects' (CSR1). While Italy's 2015 NRP does not indicate any specific budget allocations for infrastructure spending, Italy set out criteria for selecting strategic infrastructures and envisages a strategic plan for Italian ports.

In 2015, only two countries (Germany and Poland) saw infrastructure investment included in their CSRs. It was recommended that Germany further increase public investment in infrastructure. To address this recommendation, the German federal government reported to have increased investment in the infrastructure in 2015 and to continue this process in the following years. In particular, EUR 12.3 billion was allocated for investment in transport for 2015 (to rise to around EUR 13.4 billion by 2018) and EUR 2.1 billion provided to fund the expansion of broadband. Nevertheless, it is worth noting that the EC assessed limited progress in increasing public investment in infrastructure in Germany, in particular because no sustainable upward trend in public investment could be observed and the extra funds still appear insufficient to meet the infrastructure investment gap (EC Assessment of implementation of 2015 CSR).

For Poland, the 2015 recommendation focused on removing obstacles to investment in railway projects. In September 2015, the Polish government adopted the National Rail Programme 2023, a document defining the tasks of rail infrastructure development managed by the Polish authorities and the funding sources. The total value of the National Rail Programme projects is PLN 67.5 billion and the financial package of projects includes both EU funds – the Cohesion Fund, the European Rural Development Fund and national funds – the state budget, the Railway Fund and the resources of the infrastructure manager (e.g. loans, bonds). However, the EC assessed that limited progress was actually made because accelerating the processes for project preparation had not yet resulted in investments getting off the ground.

In 2016, five member states received a CSR related to infrastructure investment (Belgium, Germany, Ireland, Poland and the UK). For Belgium, Poland and the UK, the recommendations revolved around taking measures to address shortfalls and remove obstacles to investment in infrastructure. Germany's and Ireland's recommendations were the only ones to have an expected direct effect on the budget. For the third year in a row, it was recommended that Germany increase its funding for infrastructure, and in particular to 'achieve a sustained upward trend in public investment in infrastructure'. In its assessment of the 2016 CSRs, the EC recognised that Germany made some progress in increasing investment in public infrastructure, and in particular the 'federal infrastructure plan 2030' announces significant increases in transport infrastructure investment. It was recommended that Ireland 'reduce vulnerability to economic fluctuations and shocks by [among others] prioritising government capital expenditure in public infrastructure'. According to the EC, Ireland, too, made some progress in prioritising government capital expenditure (EC assessment of 2016 CSRs); moreover, public spending on infrastructure (including transport, water services and housing) is budgeted to increase in 2017 (Ireland Expenditure Report 2017).

Figure 3: Overview of CSRs related to infrastructure investment (prevalence and EC assessment of implementation as presented in n+1 COM country reports)

	AT	BE	CZ	FR	DE	IE	IT	LV	PL	ES	SE	UK
CSRs 2014												
CSRs 2015												
CSRs 2016												

red = 'no progress' or 'limited progress'
yellow = 'some progress'

Comparison of member states' self-assessments and Commission assessment

As the next step in our analysis, we set out to explore whether the Commission's assessments of CSR implementation differed from what was reported by member states. In order to compare the member states' self-assessment of CSR implementation with the Commission's assessment issued in its Country Reports, the member states' self-assessments needed to be slightly adapted. In Table 11, all relevant CSRs were included. However, the Commission's assessment of SGP-related CSRs varies from those unrelated to the SGP: the assessment of SGP-related CSRs is assessed in terms of compliance, whereas SGP-unrelated CSRs are assessed in terms of progress. Furthermore, while the Commission's assessment of SGP-unrelated 2016 CSRs is in the Country Reports, the assessment of compliance with the SGP of 2016 CSRs will only be made available after the submission of the Stability and Convergence Programmes later in 2017. Therefore, only the SGP unrelated CSRs are compared here.[25]

Several additional methodological caveats should be added here. As discussed above, in order to categorise the self-assessment/reporting of the member states in their National Reform Programmes, Stability or Convergence Programmes and Draft Budgetary Plans, the following categories were adopted: 1) 'implementation complete', 2) 'implementation begun', 3) 'planned to implement but not started yet' and 4) 'not discussed, not implemented, not planned'. By contrast, in its assessments, the Commission uses categories that explicitly refer to progress: 'substantial progress', 'some progress', 'limited progress' and 'no progress'. As a result, the member states' and COM categories may not always match perfectly, particularly since the Commission does not offer definitions or benchmarks for its assessments.[26] In addition, we reiterate the difficulties in categorising member states' level assessments and distinguishing the boundaries between, for instance, 'implementation planned' and 'implementation started'. Ultimately, mindful of the limitations above, the purpose of this exploration was to draw an approximate picture of any deviation in assessment between the member states and the Commission.

[25] Note: While no SGP-related Commission assessment was taken into account, the aggregated self-assessment of CSR1 might contain a self-assessment relating to the SGP, alongside the self-assessment of other non-SGP related sub-recommendations.

[26] For instance, it is possible that COM considers certain aspects or components of CSRs more important than others and the (non)existence of progress in those areas bears more heavily on the overall assessment.

As indicated in Table 24 (Annex D), member states reported on 20 CSRs that implementation was complete, compared to four CSRs in which the European Commission observes 'substantial progress'. While implementation of 72 CSRs has begun according to the member states, the Commission sees 'some progress' in 52 cases. Member states further reported on two CSRs that implementation is planned but not started, whereas the Commission observes 'limited progress' on 37 CSRs. Member states did not discuss, implement or plan action on four CSRs. The Commission observes no progress on five CSRs, including the four CSRs reported by the member states. Summary results from this comparison are presented in Table 12, which shows that assessments were broadly similar in half of the cases. In the vast majority of cases where assessments differed, the text provided by member state appeared more positive.[27] This is not necessarily unexpected, as member states may want to present themselves in a favourable light. In addition, existing literature (discussed in greater detail later in this section) also addresses why some member states may be more inclined to engage with the reporting process and/or be seen as complying. Also, even if we can assume that the European Commission is stricter in the progress assessment than the member states themselves, other evaluations of the implementation progress suggest that even the Commission Assessment might be overly positive (Zeitlin and Vanhercke (2014).

Table 12: Comparison of member states' and COM assessments of CSR implementation

ASSESSMENT COMPARISON	FREQUENCY
Broadly similar	47%
COM more positive	4%
MS more positive	49%
Total	100%

Note: N= 98 assessment pairs where comparison possible

Deviations between member state and COM assessments can be very substantial, as one Irish case illustrates. In 2014, the Irish government received the recommendation to 'facilitate female labour market participation by improving access to more affordable and full-time childcare, particularly for low income families.' In its National Reform Programme, the country reported on a variety of implemented measures that aimed at improving childcare. The Commission, however, stated in its Country Report on Ireland that 'no progress was made in improving access to more affordable and full-time childcare'.

Despite the overall significant deviation of assessment between member states and the European Commission, there are cases in which the assessment is similar. For example, in Italy, which reported complete implementation, full implementation of the recommended revision of wage supplementation schemes, as well as substantial progress with regard to work–life balance, active labour market policies and the education reform has been observed by the Commission. Also, in those four cases in which the Commission observed no progress on recommendations by Poland and Sweden, the member states concerned did not discuss or plan measures.

[27] A good example of this phenomenon is the number of member states' assessments indicating complete implementation not matched by COM assessments indicating 'substantial progress.' For a detailed breakdown by country and level of assessment refer to Annex D.

Box 3: Illustrative vignette on CSR implementation: Investment in research and innovation

Research and innovation (R&I) plays an essential role in promoting sustainable growth and competitiveness for today and tomorrow (AGS 2014). EU member states should prioritise public investment in R&I at national and regional levels, ensure its efficiency and leverage with regard to private investment (AGS 2015). To identify the main bottlenecks impeding the full contribution of R&I to growth and job creation in each member state, the R&I policy analyses in the Commission's Country Reports apply a two-step approach. The first step consists of identifying for each member state, based on a set of R&I performance indicators, what the main R&I challenges are. The second step consists of assessing the adequacy of the policy response to address the identified challenges.

Once the main R&I policy challenges are identified in the European Semester Country Reports, the EC identify the policy levers capable of addressing such challenges and include them in the CSRs. The main R&I policy challenges identified in the European Semester Country Reports and the actions recommended in the CSRs of the last three years, can be grouped around three broad categories:

A. Increasing the quality of the public R&I system (the level of financial resources made available for the public R&D sector; reforms of national R&I systems to ensure effective and efficient investments; international mobility). This recommendation is the one most likely to have budgetary implications.
B. Building stronger knowledge flows, i.e. strengthening science–business linkages (design and implementation of 'smart specialisation' strategies; incentives for public research; targeted funding schemes for public–private projects).
C. Putting in place an investment-friendly environment for innovation.

In 2014, out of the twelve countries analysed in our study, eight received recommendations related to R&I (Belgium, the Czech Republic, France, Germany, Italy, Latvia, Poland and Spain). For three of them (Germany, Italy and Spain) the recommendation concerned category A above and had specific budgetary implications. The EC recommended that Germany 'use the available scope for increased and more efficient public investment in infrastructure, education and research' (CSR1); it was recommended that Spain 'Identify sources of financing for the new national strategy for science, technology and innovation' (CSR6); while the EC recommended that Italy preserve 'growth-enhancing spending like R&D, innovation' (CSR1). Following the recommendations, the German federal government announced that it would provide an additional EUR 3 billion for research and development (Germany NRP 2015), Spain increased the 2015 public spending on research and innovation by 4.8 per cent in 2015 (Spain NRP 2015), while Italy allocated EUR 300 million to promote research and development in small and medium-sized enterprises, and granted tax credits for R&D activities (Italy NRP 2015).

Some of the 2014 recommendations also focused on category B above, for example recommending the development and introduction of a new methodology for evaluating research and allocating funding (in the Czech Republic and France), or recommending streamlined incentive schemes (Belgium) and strengthening linkages between research, innovation and industrial policy (Poland).

In 2015, only two countries (Germany and Latvia) saw research and innovation included in their CSRs. It was recommended that Germany 'further increase public investment in infrastructure, education and research'. To address this recommendation, the German federal government allocated EUR 3 billion for research in the 2016 Budget Act (Germany 2016 NRP). However, the Commission assessed limited progress in increasing public investment in research, highlighting that public expenditure on research and development in Germany remained stable at around 0.8 per cent of GDP in recent years (EC Assessment of implementation of 2015 CSR). Latvia's recommendation fell in category B above and focused on targeting research financing and launching the innovation support framework.

In 2016, five member states received a CSR related to R&I (the Czech Republic, Germany, Ireland, Latvia and Spain). Germany's and Ireland's recommendation were the only ones to have an expected direct effect on the budget. For the third year in a row, it was recommended that Germany increase its funding for R&I, and in particular to 'achieve a sustained upward trend in public investment, especially in [among others] research and innovation'. In its 2017 Draft Budgetary Plan, Germany stated that spending on education and research will increase by approximately 7.4 per cent compared against the 2016 target. However, in its assessment of the implementation of 2016 CSRs, the EC stated that Germany has achieved limited progress (public expenditure on R&D has remained stable at around 0.9 per cent of GDP). It was recommended that Ireland 'reduce vulnerability to economic fluctuations and shocks by [among others] prioritising government capital expenditure in R&D'. According to the EC 2016 assessment, Ireland achieved some progress in addressing the CSR, since capital expenditure marginally grew from EUR 814 million in 2014 to EUR 843 million in 2015.

Figure 4: Overview of CSRs related to research and innovation (categorisation and EC assessment of implementation as presented in n+1 COM Country Reports)

	AT	BE	CZ	FR	DE	IE	IT	LV	PL	ES	SE	UK
CSRs 2014		B,C	B	A,B	A		A,B	A,B	B	A		
CSRs 2015					A			B				
CSRs 2016			A,B		A	A		A,C		B		

Category A: Increasing the quality of the public R&I system
Category B: Building stronger knowledge flows
Category C: Putting in place an investment-friendly environment for innovation
red = 'no progress' or 'limited progress'
yellow = 'some progress'

With regard to the SGP component of CSRs, each country is assigned a Medium-Term Objective (MTO) as a country-specific indicator and an important part of the preventive arm of the Stability and Growth Pact, based on Regulation (EC) 1466/97. MTOs are a representation of the general budget position in structural terms, meaning they are cyclically adjusted and exclude one-off and other temporary measures (EC 2016f, 26). The MTO has to be set within a range between –1 per cent of GDP and balance or surplus (EU 2011b). Based on the Stability and Convergence Programmes, which are submitted by member states in the course of each European Semester cycle, the European Commission evaluates compliance of member states with the requirements of the preventive arm of the SGP (EC 2016f, 53). The assessment is based on the structural balance and the expenditure benchmark, limiting net government expenditure growth (EC 2016f, 17). Based on the evaluation, the Commission can conclude compliance, some deviation, deviation or significant deviation (EC 2016f, 53).

As Table 13 shows, with the exception of countries under the Excessive Deficit Procedure (FR, IE, ES, UK), only Austria and Belgium were assessed as deviating from their respective MTOs in 2014 and 2015. Thus, a majority of member states are assessed as being compliant. The situation is reversed with respect to 2016 and onwards, where, based on projections, only Germany and Sweden, and the Czech Republic and Ireland from 2017 on, were found to be compliant. Note, however, that the Commission's assessments of SCP are typically published in May. Therefore, they build on relatively recent data when assessing the situation in the preceding year, incomplete data when assessing the current year, and on predictions when making assessment projections.

Table 13: Commission assessment of compliance with MTO (per COM assessments of SCPs)

COUNTRY	YEAR OF ASSESSMENT	2014	2015	2016	2017
AT	2015	Compliant	Some deviation	Risk of significant deviation	
	2016		Compliant	Risk of some deviation[28]	Risk of significant deviation[29]
BE	2015	Some deviation	Some deviation[30]	Risk of significant deviation	
	2016		Some deviation	Risk of some deviation	Risk of significant deviation
CZ	2015	Compliant	Compliant	Risk of some deviation	
	2016		Compliant		Compliant[31]
FR[32]	France under the Excessive Deficit Procedure.				
DE	2015	Compliant	Compliant	Compliant	
	2016		Compliant	Compliant	Compliant
IE	2015[33]	No assessment	No assessment	Risk of significant deviation	
	2016[34]		No assessment	Risk of some deviation	Compliant

[28] In line with requirements if budgetary impact of inflow of refugees was considered in assessment.
[29] Risk of some deviation if budgetary impact of inflow of refugees was considered in the assessment
[30] Assessment covers a combined period 2014–2015.
[31] Assessment covers a combined period 2016–2017.
[32] France is under the Excessive Deficit Procedure, no assessment of the adjustment path towards the MTO was issued in 2015 and 2016. In the 2015 assessment of the Stability Programme, it is stated that France is expected to be in the preventive arm of the SGP from 2018 on. For 2018, it is estimated that France will be at a structural balance above the MTO. The 2016 assessment of the Stability Programme, however, predicts deviation from the MTO in 2018 and 2019.
[33] Note that at the time of the assessment, Ireland was subject to the corrective arm of the SGP. The projection is made under the assumption that Ireland will be subject to the preventive arm in 2016.
[34] At the time of the assessment, the EDP was not terminated yet, but the Commission had recommended the Council issue a Council Decision abrogating the Decision on the existence of an excessive deficit.

COUNTRY	YEAR OF ASSESSMENT	2014	2015	2016	2017
IT	2015	Compliant	Compliant	Risk of some deviation	
	2016		Compliant	Risk of some deviation	Risk of significant deviation
LV	2015	Compliant	Compliant	Risk of significant deviation	
	2016		Compliant	Risk of some deviation	
PL[35]	2015		Compliant	Some deviation	
	2016		Compliant	Risk of significant deviation	Risk of significant deviation
ES	Spain under the Excessive Deficit Procedure.				
SE	2015	Compliant	Compliant	Compliant	
	2016		Compliant	Compliant	Compliant
UK	UK under the Excessive Deficit Procedure.[36]				

Comparison of Commission Assessment of SGP in Draft Budgetary Plans and Assessment of Stability Programmes

The European Commission has the competence to monitor Draft Budgetary Plans (DBP) of euro area member states before they are discussed by national parliaments. DBPs are submitted by euro area member states in October each year, presenting the budgetary measures that are planned for the subsequent year. The Commission publishes an opinion on the compliance with the provisions of the SGP in November. This assessment precedes the submission of the Stability Programmes in April, where member states present their three year fiscal plans (EC n.d.b). The Commission also publishes an assessment of these programmes in the form of a note prepared by DG ECFIN staff, which is published in May. The first assessment, therefore, precedes the adoption of the annual budget, whereas the second is based on the adopted national budget. One would expect that the assessment somehow varies, given the difference in time and status of the budgetary framework. However, as presented in Table 14, out of 11 cases where a comparison between both assessments is possible given the timeframe of analysis of this study, six assessments pointed in the same direction. In three cases, the second assessment had a negative trend. Only in two cases did the second assessment suggest a positive trend in compliance with the provisions of the SGP. Out of the six cases with similar directions, four pointed in the direction of non-compliance. In these cases, the member states concerned supposedly did not take significant supplementary action after the assessment of the DBP in order to move towards compliance. In the three cases where the second assessment was more negative than the first, possible explanations include that national governments overpromised in their DBP and that the national parliament did not follow the budgetary plans of its government. In the two cases where a more positive assessment is made by the Commission in the assessment of the Stability Programme, possible explanations include that the member states have taken

[35] Under EDP until 2015

[36] If EDP abrogated, compliance with recommended adjustment path towards MTO in 2017–2018

supplementary action in order to move towards compliance with the SGP. Whether the Commission's action in this was decisive cannot be assessed here. Given the overall stable trend in assessments between DBP and Stability Programmes and the narrow scope of the analysis, no significant indication of a 'political' change in the Commission's assessment patterns can be detected.

Table 14: Comparison of Commission Assessment of SGP compliance in Draft Budgetary Plans (DBP) and Assessment of Stability Programmes

COUNTRY	YEAR[37]	ASSESSMENT OF COMPLIANCE WITH SGP IN DGP[38]	ASSESSMENT OF COMPLIANCE IN STABILITY PROGRAMME[39]	TREND IN ASSESSMENT
AT	2014/ 2015	Risk of non-compliance	Some deviation	→
	2015/ 2016	Risk of non-compliance	Risk of some deviation	→
	2016/2017	Broadly compliant	NA	
BE	2014/ 2015	Risk of non-compliance	Some deviation	→
	2015/ 2016	Broadly compliant	Risk of some deviation	↘
	2016/ 2017	Risk of non-compliance	NA	
FR[40]	2014/ 2015	Risk of non-compliance	NA	
	2015/ 2016	Broadly compliant	NA	
	2016/2017	Broadly compliant	NA	
DE	2014/ 2015	Compliant	Compliant	→
	2015/ 2016	Compliant	Compliant	→
	2016/2017	Compliant	NA	
IE	2014/ 2015	Compliant	NA[41]	

[37] DBP assessed in year *n* for budget of year *n*+1, SP assessed in year *n*+1 for budget of year *n*+1.
[38] Overall compliance with SGP, with a particular focus on the MTO is assessed.
[39] Assessment of compliance with the requirements in relation to the MTO used for this analysis
[40] France is under the Excessive Deficit Procedure, no assessment of the adjustment path towards the MTO was issued in 2015 and 2016.
[41] Note that at the time of the assessment, Ireland was subject to the corrective arm of the SGP and no assessment related to the MTO was issued in this year.

COUNTRY	YEAR[37]	ASSESSMENT OF COMPLIANCE WITH SGP IN DGP[38]	ASSESSMENT OF COMPLIANCE IN STABILITY PROGRAMME[39]	TREND IN ASSESSMENT
	2015/ 2016	Broadly compliant	Risk of some deviation	↘
	2016/2017	Broadly compliant	NA	
IT	2014/ 2015	Risk of non-compliance	Compliant	↗
	2015/ 2016	Risk of non-compliance	Risk of some deviation	→
	2016/2017	Risk of non-compliance	NA	
LV	2014/ 2015	Broadly compliant	Compliant	→
	2015/ 2016	Broadly compliant	Risk of some deviation	↘
	2016/2017	Broadly compliant	NA	
ES[42]	2014/ 2015	Risk of non-compliance	NA	
	2015/ 2016	Risk of non-compliance	NA	
	2016/2017	Risk of non-compliance	NA	

Note: An upward arrow denotes a more positive second assessment (Stability Programme) than the first assessment (Draft Budgetary Plan). A downward arrow denotes a more negative second assessment. A flat arrow denotes no change.

3.1.3. External evidence on CSR implementation

The limited degree of CSR implementation is in line with observations made in existing literature, although it is important to keep in mind that the sample of CSRs analysed in these sources may differ from that selected for this study. Based on European Commission European Semester staff working documents 2012, 2013 and 2014, Deroose and Griesse (2014) proposed a synthetic indicator to illustrate the progress in the level of CSR implementation across all member states. The indicator showed a score of just over 40 per cent in 2013 (and a slightly higher result in 2012). The author concluded that there was significant scope and need for improvement in the enforcement of CSRs across the EU. Using another index, an analysis by Darvas and Leandro (2015a) showed similar moderate progress and a falling trend in the level of CSR implementation reaching 29 per cent by 2014. The author concluded that the European Semester was 'not particularly effective at enforcing even the EU's fiscal and macroeconomic imbalance rules'. This view was also shared by Enderlein (2016), Banerji (2015) and Gros and Alcidi (2015).

[42] Spain is under the Excessive Deficit Procedure so no assessment in relation to the MTO was issued.

Finally, Zeitlin and Vanhercke (2014) reported 'wide disagreement among analysts and policy makers about the extent to which the CSRs have in fact been implemented' and pointed to some opinions that the progress was more likely to fall between 10 and 20 per cent. One of the reasons for such a diverse range of views on the implementation of CSRs is that often they are ambiguous (or generic) and thus allow various interpretations (Gros & Alcidi 2013, Greer et al. 2016).

A more detailed assessment of CSRs carried out by Deroose and Griesse (2014) showed more granularity in the level of implementation of different categories of CSRs, with the strongest record for financial sector reform (with a score of 59.7 per cent) and in public finances (54.5 per cent), and the lowest scores in tax reforms (29.2 per cent), education (30.3 per cent), competition in services (30.3 per cent) and public administration (31.3 per cent). Limited progress in reducing taxes on labour and broadening tax bases were also reported by Garnier et al. (2013), Bernardi (2014) and Pina (2016).[43]

Some authors claimed that the rate of implementation of CSRs related to the SGP was higher than the implementation of recommendations related to the MIP and other recommendations (Pina 2016, Gros & Alcidi 2015). To some extent this may be explained by the fact that SGP-related CSRs have the stronger legal basis (compared to MIP and others types of CSRs). Other possible reasons for better implementation records in some areas found in the literature included market pressure in several member states and links to obligations stipulated by the EU's SGP (Deroose & Griesse 2014). Other authors noted that some CSR measures may have been 'low-hanging fruit and already part of government plans' (Banerji et al. 2015). On the other hand, poorer implementation of CSRs in other areas was explained by the politically sensitive nature of domains such as taxation (Deroose & Griesse 2014). Some suggestions were considered controversial by recent literature (Bernardi 2014), too generic, or justified by the weakest legal base, namely the Europe 2020 strategy (Greer et al. 2016).

The average scores for compliance with CSRs conceal wide differences in the degree of implementation across member states, as some made much less progress than others. The rate of non-implementation ranged from 64 per cent in Slovenia to 17 per cent in Italy (Greer et al. 2016).

Qualitative evidence from Zeitlin and Vanhercke (2014) outlined differences between member states in how faithfully they follow CSRs, depending on public attitudes towards European integration, the political sensitivity of the issues at stake, and the national fiscal situation:

> In some countries, such as Belgium and the Netherlands, the CSRs make the evening news and are widely discussed, especially where they touch on hot-button issues such as reform of wage indexation, pensions, or social housing. In countries at the other extreme like the UK, where all messages coming from Brussels are politically suspect, the CSRs are largely ignored. (Zeitlin & Vanhercke 2014, 59)

A similar observation was made by Hefftler and Wessels (2013), who pointed out that in 2011, national responses to the AGS were debated in parliamentary plenaries in only seven member states and in the committee in two thirds of countries. This further demonstrates that budgetary negotiations with EU institutions are not subject to systematic scrutiny in member states. More

[43] Pina (2016) also pointed to below-average implementation of CSRs in areas related to strengthening public administration governance and improving cost-effectiveness and performance in key domains, such as education and health.

recently, Raimla (2017) demonstrated a varying degree of involvement of national parliaments in the development of SCPs and NRPs.

Others suggested that countries were more likely to implement CSRs and undertake reforms when they were experiencing market pressure, benefitting from financial assistance, or undergoing severe macroeconomic adjustments. However, once the socio-economic conditions improved, countries were less keen on implementing the changes (Darvas & Leandro 2015a).

Gros and Alcidi (2013) suggested that the politically and financially weaker countries would usually respond to recommendations on structural policies by taking many measures, while stronger member states may be ignoring CSRs. They also indicated that small countries tend to follow the recommendations (Gros & Alcidi 2015). However, there are exceptions, for example, as Claeys (2015) noted, among three member states that have not fully implemented any measure: Estonia, Germany, and the UK. While the political and financial position of the two latter countries is certainly strong and they are both large, Estonia does not meet all these criteria.

A variety of factors can help explain why the implementation of CSRs still leaves room for improvement at the national level. These include: the perceived political costs of structural reforms and opposition from vested interests (Coeuré 2014); reform fatigue in some countries (Banerji et al. 2015); and the lack of national ownership of reforms (Bosch 2014; Juncker et al. 2015). Claeys (2015) expands on this last point noting that the electoral calendar may affect the speed in which CSRs are implemented – with both outgoing and new governments taking their time to execute or start recommended reforms. The consultation and negotiations of these reforms at the national level may further prolong the implementation process for particularly complex or divisive reforms (Claeys 2015) and Zeitlin and Vanhercke (2014) suggested that CSRs were used in political disputes between a government and opposition parties.

At the EU level, the ability of EU institutions to incentivise reforms in member states was hampered by insufficient power (and willingness) to enforce CSRs and the lack of any follow up in terms of monitoring of achievement of objectives (Juncker et al. 2015; Bosch 2014).

3.2. REFLECTION OF AGS PRIORITIES AND CSRS IN MEMBER STATE BUDGET DATA

3.2.1. Eurostat data

As a first step in the analysis, we made use of the standardised budgetary data on national level available from Eurostat, to assess whether national budgets follow the guidelines set by the AGSs and CSRs by investing in promoting growth and jobs, and increasing the corresponding budget allocations. Specifically, we have identified relevant priorities in the 2014, 2015 and 2016 AGSs and link them to country-specific variables. The budget-related priorities are essentially repeated in all three AGSs using slightly different wording and relate to, among other areas, investment in education, research, and renewable energy; tax reforms; and labour market promotion.

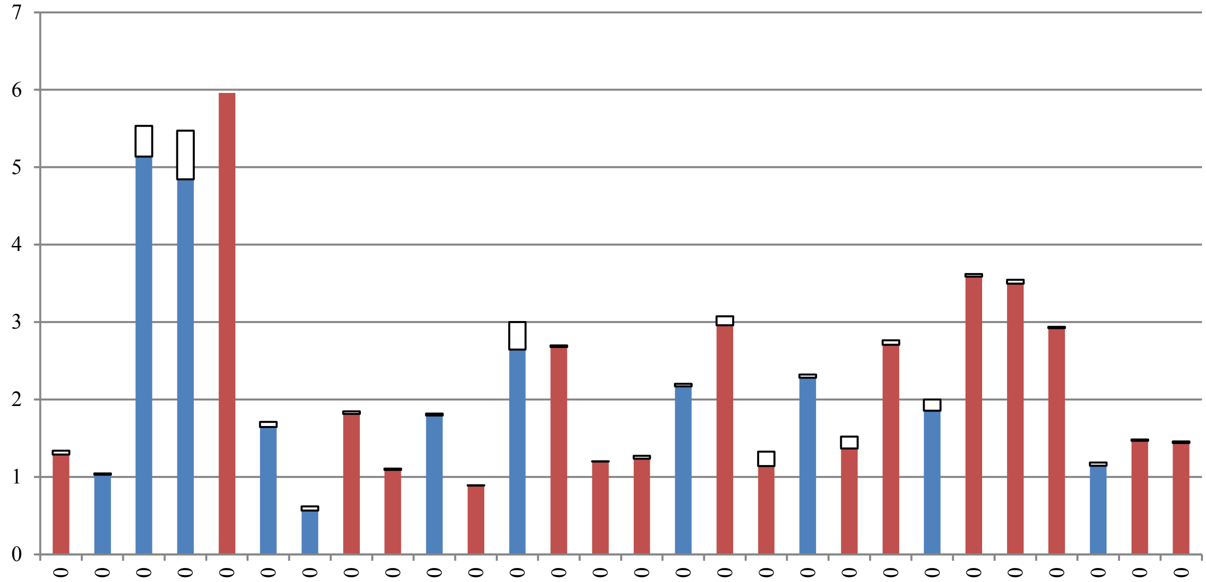
Note that due to imperfect correspondence between the AGS priorities categories and available indicators, as well as inability to determine causal relationship between the changes, some of the identified movements may not fully reflect the extent to which the priorities are reflected in the national policies.

In order to isolate the actual relative changes, the revenue and expenditure variables were viewed in perspective of aggregate changes in the economy. In particular, we linked them to economic growth in the respective country and year as captured by GDP. This way, we were better able to determine whether the additional funds invested (or received) were a result of a policy change or simply reflect the aggregate changes.

Panel 1 shows the total expenditure on labour market promotion in 2015 as a share of GDP in the country and how this changed compared to the 2014 values. We can see that there was a little cohesion in the indicators across countries, both in terms of absolute value and the relative change. Indeed, France, Finland and the Netherlands seem to be most engaged in labour market promotion overall, whereas Latvia, Romania and Slovenia are on the other side of the spectrum. However, looking more closely at the various categories, Lithuania seems to be the only country that in fact increased the expenditure compared to GDP in all categories, while the Netherlands and Romania were the only countries to spend less in all categories compared to 2014. For other countries, the changes were mixed, increasing expenditure in some areas but decreasing in others.

Panel 2 provides information on tax revenues as percentage of GDP by country for 2015 and how it changed compared to 2014. Contrary to the labour market promotion data, information on tax revenues is more complete, giving a better overview of the situation. We can see that the majority of countries increased their relative tax revenues in 2015, particularly in the areas of capital and corporate income taxes, which may be caused by overall improvement in the economic situation in Europe leading to more companies being profitable and thus paying taxes, as well as increases in their market capitalisation leading to capital gains. On the other hand, none of the countries showed a substantial decrease in any of the areas, particularly in consumption taxes, represented by the 'Taxes on production (including VAT) and imports' category, which includes VAT, as well as excise taxes. In fact, while the red bars are desirable for consumption taxes, as the AGS priorities suggest lowering them, in this case they only represent no change compared to 2014, rather than an actual decrease in revenues. This suggests that none of the countries particularly followed the AGS priority of shifting the tax burden away from labour on to tax bases linked to consumption.

Figure 5: Consumption/household income tax revenue ratio



Note: Blue bars represent positive change in expenditure (as % of GDP) in the category compared to 2014 values, red bars represent no or negative change. No bars are shown for missing data.

To further highlight the potential shift from income to consumption taxes, Figure 5 shows the change in the ratio of consumption and household income tax revenue. Again, for most of the countries there was a very little change and mostly in the opposite direction (i.e. the red bars, proportionally increasing income taxes), yet Bulgaria, Croatia, and Greece show an interesting shift towards consumption taxes in line with the AGS recommendation.

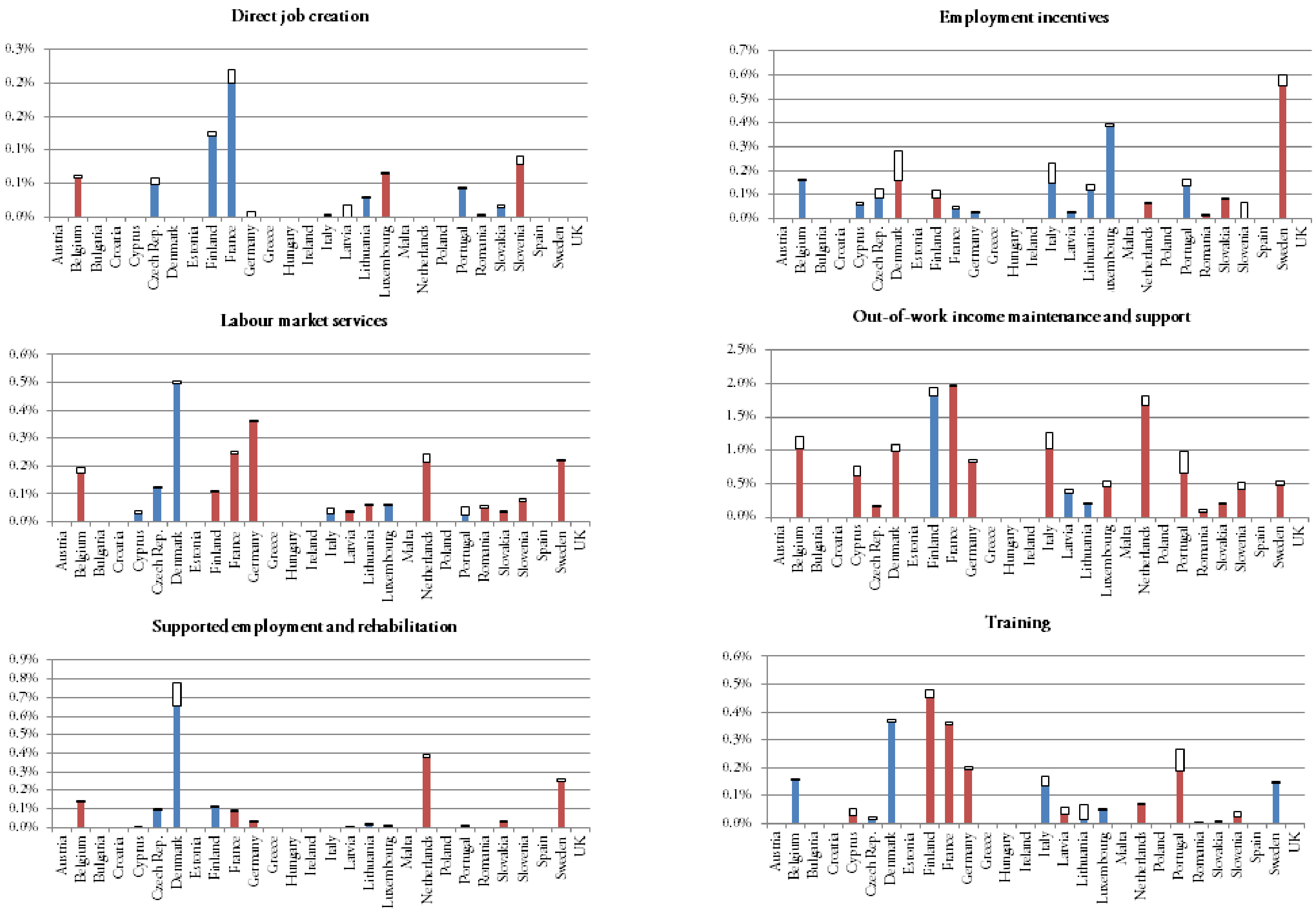
Note that taxes, even more than other budget categories, can only really be analysed with one year lag after a relevant policy is implemented. For instance, if a new tax reform is approved in 2015 as a result of the 2014 recommendation, the full extent of the changes would be visible only from the 2016 data. Hence, the presented analysis of 2015 rather reflects changes determined earlier than the 2014 AGS recommendation and more relevant data need to be obtained from national sources.

Lastly, Panel 3 shows four of the relevant expenditure categories discussed in the AGS priorities: education, research and innovation, climate action, and protecting vulnerable social groups. Unfortunately, investment into renewable energy is not available at this level, with the only remote indicators showing energy production instead. Similarly, we had to use proxies for climate action (environment protection) and protection of vulnerable social groups (social exclusion). Again, there is hardly a common trend visible across all member states. Although we can see that the spending on education slightly decreased in most of the countries and substantially increased only in Estonia,[44] the opposite trend is in the social exclusion category, and the trends are mixed for environment protection and research and innovation categories. At the same time, at least five countries increased their spending on environment protection, social exclusion, and research and innovation by a relatively large margin, suggesting that the topics may be getting increasing levels of attention. Unfortunately, consistent data on investment into infrastructure is only available from the OECD database ([ITF_INV-MTN_DATA]), which provides the last data for 2014.We were, therefore, only able

[44] This is likely to be linked with non-automatic indexing of wages in the educational sector in many countries. The economy, and GDP, may thus grow without one-to-one reflection in the expenditure.

to analyse infrastructure investment using the national sources. Table 25 through Table 30 in Annex D depict evolution in the described variables over a longer time period. Unfortunately, in line with the earlier discussion, it is impossible to reach any specific conclusions from the data without additional qualitative analysis.

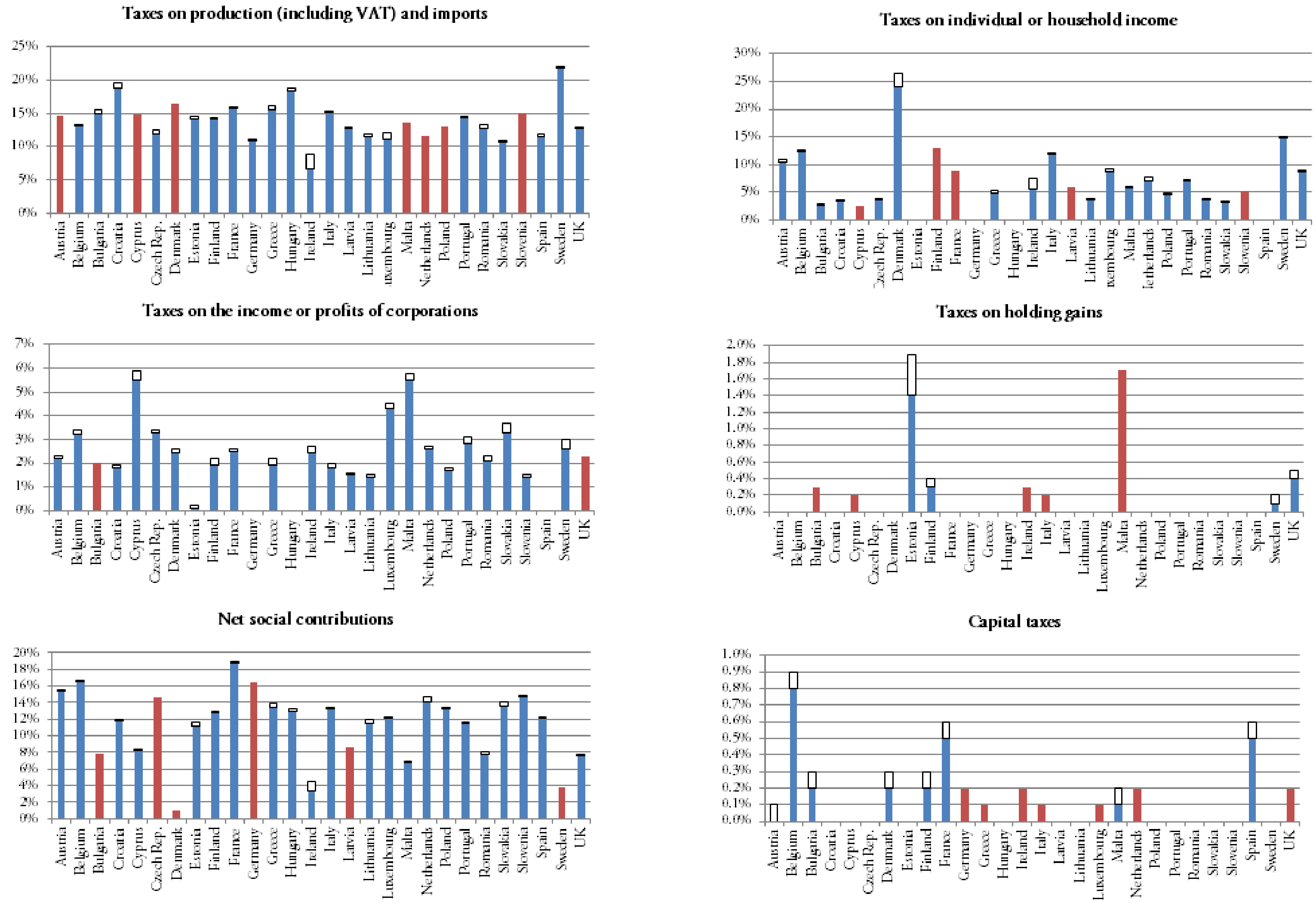
Panel 1: Labour market promotion as percentage of GDP, 2015



Source: Eurostat [lmp_expme]

Note: Blue bars represent positive change in expenditure (as % of GDP) in the category compared to 2014 values, red bars represent no or negative change. No bars are shown for missing data.

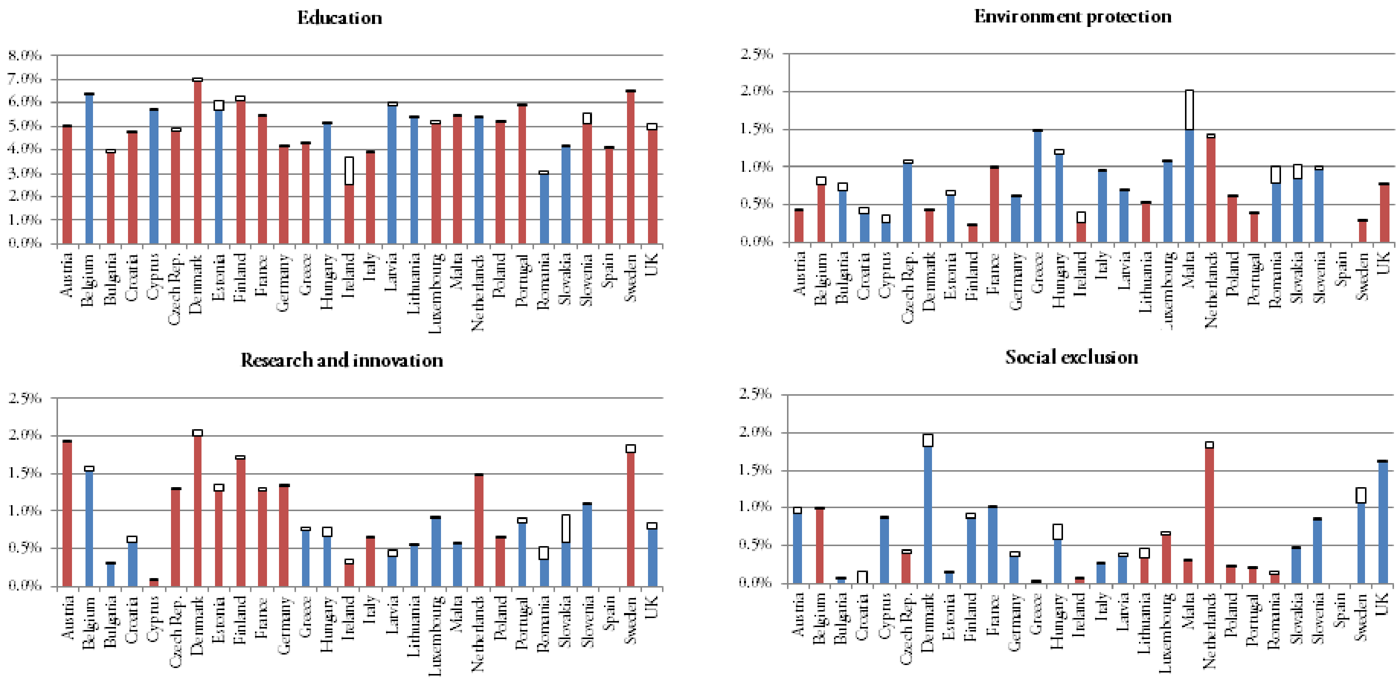
Panel 2: Tax revenues by category as percentage of GDP, 2015



Source: Eurostat [gov_10_a_taxag], figures for General government and European institutions

Note: Blue bars represent positive change in expenditure (as % of GDP) in the category compared to 2014 values, red bars represent no or negative change. Transparent bars represent change compared to 2014. No bars are shown for missing data.

Panel 3: Selected general government expenditure categories as percentage of GDP, 2015



Source: Eurostat [gov_10_a_exp], figures for General government

Note: Blue bars represent positive change in expenditure (as % of GDP) in the category compared to 2014 values, red bars represent no or negative change. Transparent bars represent change compared to 2014. No bars are shown for missing data. Education represents COFOG code 09, Environment protection COFOG code 05, Research and innovation COFOG codes 104, 105, 204, 305, 408, 505, 605, 705, 805, 907, and 1008; and Social exclusion represents COFOG code 1008.

3.2.2. Data from national sources: AGS priorities

Regrettably, consistent Eurostat data is only available until 2015, not covering the last two periods of our analysis. For the 12 selected in-depth countries, we therefore analysed the budgetary data coming from national sources that have not been included in the Eurostat database. These are mostly official detailed government budgets as set by law. While the available data is generally more detailed than those available from the Eurostat, they are not comparable across countries due to differences in the reporting standards and cannot be linked to the data from Eurostat. This, however, does not represent an issue in so far as we were interested in changes in spending across years within countries, rather than across the set of member states.

Most of the data we were able to collect from national sources are taken from law bills setting the government budgets for the upcoming year. They thus reflect the intentions of the government to adjust the budget according to the priorities set by the government. The variations across years are thus likely to mirror to some extent the changes of prioritisation, allowing us to detect whether governments are following the EU recommendations.

As with the Eurostat data, we converted budget expenditures to percentages of nominal GDP to capture any variation which could be caused by aggregate changes in the economy. As indicators for the AGS priorities we examined the following:

- The governments' budgets for Education as a percentage of the GDP
- The governments' budgets for Infrastructure as a percentage of the GDP
- The governments' budgets for Research and Innovation as a percentage of the GDP
- The governments' budgets for Labour Promotion as a percentage of the GDP
- The governments' budgets for Social Inclusion as a percentage of the GDP
- The governments' budgets for Environment Protection as a percentage of the GDP
- The ratio between governments' revenues from income taxes and from consumption taxes. Where available, we used planned revenues as stated in the law bills but in some cases we used actual revenues.

The sources and across-year variations in absolute terms for each country can be found in Annex D. These data are then summarised in relative terms in Table 15.

An additional concern for this analysis was that national budget reports are not consistent across years. This makes it difficult to identify variations due to changes in the reporting layout as opposed to an actual variation due to a change in the budget. To address this concern, we attempted to make use as much as possible of budgets from entire ministries (e.g. Ministry for Education), to reduce the risk of any inconsistencies caused by reporting changes occurring within the ministry budget, i.e. at programme level. However, this was not always possible as not every country has a ministry for all the categories listed above. In those cases where we were not able to identify reporting changes from budget changes, we opted to consider the information as 'not available'. Of course, the downside of this method is the relative loss of information caused by the aggregation of the data.

Table 15: Year-on-year changes in national spending related to AGS objectives

	Year	Austria	Belgium	Czech Republic	France	Germany	Ireland	Italy	Latvia	Poland	Spain	Sweden	United Kingdom
Consumption /Income Taxes Ratio	2015	-1.60%	NA	-3.52%	13.04%	-2.82%	NA	NA	2.68%	13.04%	NA	0.29%	NA
	2016	14.08%	NA	-5.69%	0.06%	-1.86%	NA	NA	-2.53%	-9.71%	NA	-3.08%	NA
	2017	-0.45%	NA	NA	-4.05%	-0.86%	NA	NA	0.01%	0.66%	NA	-2.66%	NA
Education Expenditures as % of GDP	2015	-3.20%	-2.28%	-6.29%	0.29%	6.67%	-28.63%	-2.75%	29.95%	2.39%	0.75%	-0.95%	2.70%
	2016	-2.77%	-2.52%	1.01%	-1.00%	3.43%	-1.29%	NA	-29.30%	3.07%	5.55%	2.01%	-9.01%
	2017	NA	NA	7.28%	-26.32%	5.86%	8.13%	NA	-6.65%	-2.68%	-1.84%	-0.59%	-0.49%
Infrastructure Expenditures as % of GDP	2015	2.59%	NA	-26.67%	NA	-0.96%	NA	-2.55%	2.37%	10.06%	8.72%	-4.56%	0.14%
	2016	11.23%	NA	36.36%	NA	13.22%	NA	21.21%	-34.89%	10.42%	-5.02%	13.35%	57.46%
	2017	-4.27%	NA	13.33%	NA	7.01%	NA	2.22%	-3.07%	17.48%	-13.91%	-2.89%	4.54%
Research and Innovation Expenditures as % of GDP	2015	-1.81%	-10.54%	-5.36%	-18.93%	1.40%	NA	-0.13%	29.13%	1.87%	9.45%	-0.95%	5.63%
	2016	0.55%	-0.90%	-1.89%	-0.87%	1.53%	-92.59%	NA	15.26%	3.09%	-12.52%	2.01%	-1.64%
	2017	-1.52%	NA	9.62%	0.83%	7.39%	1154.74%	NA	-0.87%	0.68%	8.20%	-0.59%	3.12%
Labour Promotion Expenditures as % of GDP	2015	-1.14%	-84.48%	21.05%	0.26%	2.91%	NA	0.67%	NA	NA	12.33%	0.81%	-14.16%
	2016	10.10%	2.61%	30.43%	0.88%	-25.61%	-49.28%	32.49%	NA	NA	6.10%	8.52%	-8.21%
	2017	3.14%	138.48%	-40.00%	29.08%	32.39%	119.29%	-3.79%	NA	NA	1.84%	2.73%	4.01%
Social Inclusion Expenditures as % of GDP	2015	NA	-18.36%	NA	11.43%	-0.79%	-25.43%	0.07%	3.28%	-4.03%	3.57%	-3.26%	-2.33%
	2016	NA	-18.77%	NA	14.32%	0.13%	-3.03%	4.36%	-1.12%	97.14%	14.05%	-0.19%	-4.85%
	2017	NA	10.73%	NA	-5.09%	5.09%	-2.17%	1.28%	-0.53%	-78.06%	1.28%	-5.19%	-0.69%
Environment Protection Expenditures as % of GDP	2015	-2.18%	-15.83%	-30.00%	-26.64%	-8.40%	NA	12.99%	-17.30%	0.17%	NA	25.67%	6.31%
	2016	-5.09%	-40.68%	-4.76%	23.23%	6.17%	-19.55%	46.05%	-64.44%	4.17%	-2.02%	6.32%	-7.45%
	2017	-6.35%	NA	75.00%	-3.16%	9.55%	85.47%	-19.33%	-15.56%	-3.76%	NA	4.83%	-9.18%

Note: Values represent relative changes compared to the previous year. Green cells represent an increase, red cells a decrease in value.

The results of this analysis are presented in Table 15: Year-on-year changes in national spending related to AGS objectives. As shown, we were able to find all the budgetary information for Germany and Sweden. The highest rates of missing values are for Belgium and Ireland (9 out of 21) and Italy (7 out of 21). The colours in the table are indicative of the direction and the intensity of a variation. The greener the shade of the cell is, the bigger the increase in question. Conversely, the redder the cell, the bigger the decrease. Some countries present extreme variations in their budgets. This phenomenon might be attributed to ministries restructuring rather than truly to an increase or decrease of the budget of the ministry.

As can be deducted from the table, there is no clear trend in the budget variations, neither across-year, nor across AGS category for all countries. Taking together the 12 countries, between 2014 and 2017 the budget for infrastructure increased substantially (only LV decreased its budget overall), followed to some extent by the budget for labour promotion (BE and UK decreased substantially their budgets in this area, though). The budget for social inclusion on average decreased the most, followed by the budget for education. A deeper analysis can be found in Annex D, Table 34: Country narratives of budget variation related to AGS priorities, which provides a detailed narrative of the observable development in each country.

3.2.3. Data from national sources: Country-specific recommendations

Using data collected from national sources, we can investigate whether there are quantifiable links between the CSRs and budget national allocations for a given year. For each CSR, we evaluated its direct or indirect relevance for national budget and, where possible, the respective budget categories. Again, we are principally interested in changes in relative importance of the categories, i.e. how the budget allocations (or structure of revenues, etc.) changed over time and whether we can observe otherwise unexpected changes following a relevant CSR.

A table mapping CSRs with their budget implications and the set of indicators we used to explore possible impacts of CSRs on national budgets can be found in Annex D, Table 36. The data from the national sources present the same pattern as the data presented earlier for the AGS priorities examination. The data on indicators we were able to find as well as the sources we used can be found in Annex D, Table 35. Note that a number of CSRs refer to very specific programmes (and budgets) and no clear data could be found in the national budget documentation.

Table 16 below describes the data on indicators we were able to find to explore possible budget variations on areas mentioned in Country-Specific Recommendations. Following the same method as for the analysis of AGS priorities, we expressed the budgets of each category as a percentage of the nominal GDP of the year to take into account aggregate changes, and then computed the relative variations across years.

Germany is absent from the table as all the data we were able to find is already included above in our analysis of AGS priorities. The number of indicators for each country varies with the number of CSRs that have a budgetary implication, as well as with the level of budget detail these CSRs request and the level of detail available from national budget reports. As above, the colours in the table are indicative of the direction and the intensity of a variation. The greener the shade of the cell is, the bigger the increase in question. Conversely, the redder the cell, the bigger the decrease. However, contrary to the AGS priorities, CSRs do not always recommend an increase of all these areas. The indicators for which CSRs tend to advocate for a decrease are: 'tax revenue from labour taxes', 'cost of taxes collection'. All the indicators for France, a deeper per-country narrative of the relevant CSRs and the corresponding budget allocations can be found in Annex D, Table 37.

In summary, it is clear from the analysis that it is not possible to identify a strong common trend in the presented data. To what extent this is a result of a poor correspondence between the available variables and targets of the analysis, the insufficient time period observed, or simply the non-existence of such trends is difficult to say, but it is likely that the overall result is affected by all three, and potentially many other factors. Indeed, empirical analysis often works as an essential component of an overall assessment but may sometimes not be fully informative on its own, particularly in cases where a strong direct link between analysed data and object of interest cannot be made.

In fact, even in cases where we were able to identify a consistent trend across time or a group of countries, it is unclear from the analysis whether reliable conclusions can be made from the observed results and even less so what is the path of causality. This is due to numerous confounding variables present in the analysis. These may range from macroeconomic situation at the country or regional level, upcoming elections, promises made by politicians not necessarily linked to broader EU-wide policies and recommendations, or simply a complex network of negotiations made by individual ministers. Without taking these into account, or at least making a note of a broader socio-economic situation in a given country or region, the data cannot lead to convincing conclusions.

Table 16: Year-on-year changes in national spending related to Country-Specific Recommendations

Country	Country-Specific Recommendation's indicator	2015	2016	2017	Overall
Austria					
	Childcare	-1.89%	-0.68%	-1.32%	-3.85%
Belgium					
	Tax revenue from labour taxes	56.28%	-2.75%	-1.38%	49.88%
	Tax revenue from VAT	0.38%	0.55%	3.16%	4.12%
	Gender Equality in the work place	436.52%	15.17%	NA	517.94%
Czech Republic					
	Tax revenue from VAT	-2.66%	0.27%	NA	-2.40%
	Cost of tax collection (tax bureau budget)	3.11%	10.58%	5.43%	20.20%
	Employability of old workers	37.36%	37.83%	-59.27%	-22.89%
	Assistance to Roma	-5.29%	-3.42%	-3.58%	-11.79%
France					
	General regime of the social security in terms of sickness	10.98%	-11.93%	-7.65%	-9.74%
	Healthcare	-9.01%	2.09%	-0.57%	-7.63%
	Local government tax revenue transfer	-8.16%	-8.60%	4.97%	-11.89%
Ireland					
	Transport, water services and housing infrastructure	-10.84%	6.31%	13.09%	7.19%
Italy					
	Innovation	1.90%	11.03%	2.22%	15.65%
	Secondary and vocationally-oriented tertiary education	3.54%	2.31%	-1.77%	4.05%
	Higher education and research	5.30%	3.78%	-2.68%	6.35%
	Transport and Infrastructures	-5.48%	53.21%	1.46%	46.93%
Latvia					
	Tax revenue from environmental taxes	-9.36%	-4.60%	NA	-13.52%
	Vocational training	2.80%	-0.76%	-1.59%	0.39%
	Energy policy implementation	-16.90%	45.17%	10.45%	33.24%
Poland					
	Tax revenue form VAT	11.28%	-7.13%	6.62%	10.18%
Spain					
	Primary and secondary education	46.77%	50.16%	-7.74%	103.34%
	Family support and childcare	26.30%	50.32%	-2.13%	85.81%
	Low-income household support	-6.55%	3.12%	11.59%	7.53%
	Long-term care	-9.55%	-8.51%	-7.58%	-23.52%
Sweden					
	Tax revenue from taxes on property	-4.12%	-3.54%	-6.17%	-13.22%
United Kingdom					
	Low-income family support	-3.75%	-4.76%	-1.79%	-9.98%
	Childcare	-0.68%	-17.13%	-11.19%	-26.90%
	Network infrastructure	0.14%	57.46%	4.54%	64.85%

4. SYNERGIES BETWEEN EU AND NATIONAL BUDGETS AND THEIR CONTRIBUTION TO AGS OBJECTIVES

RESEARCH QUESTIONS ADDRESSED IN THIS CHAPTER

- RQ3 Are there synergies between the EU and national budgets' priorities and contributions to the achievement of the AGS and the CSRs?
- RQ4 Do the measures adopted have real potential to create economic growth and improve the quality and efficiency of public spending?

KEY FINDINGS

- AGS priority areas can broadly be categorised into three groups – structural reforms, pro-growth investments and fiscal consolidation. With regard to the first two categories, there is wide-ranging consensus in existing literature that measures adopted in these areas have the potential to lead to economic growth and/or improved public spending. The potential positive effects of adopted and recommended measures have also been expressed in several econometric models. However, more work is needed to evaluate the contribution of various measures to their objectives, not least by developing monitoring indicators on growth and jobs for instruments such as EFSI.
- Numerous studies have raised objections to, or questions about, the appropriateness of fiscal consolidation and the design of the Stability and Growth Pact. Specifically, multiple authors question the extent, if any, to which fiscal retrenchment, as called for in a number of CSRs in accordance with SGP provisions, can be conducive to economic growth and job creation. This is particularly the case for countries facing adverse economic circumstances. A related point of contention is the extent to which action in areas such as investment can mitigate and/or offset any negative effects of fiscal retrenchment and the sequencing and coordination of action in multiple policy areas.
- Available evidence points to the existence of synergies between the EU and member states' budgets in the narrow sense of matching policy priorities. That is, EU spending in relevant areas is considered to be pursuing similar objectives as that at the member-state level. Most commonly, this observation is based on ESI Funds, their operationalisation at the national level and its match with EU priorities.
- The assessment of synergies, in the sense of whether the EU budget helps member states' budgets with the achievement of AGS priorities, remains more difficult. Available literature points again at ESI Funds and their co-financing requirements as an important mechanism through which synergies can be achieved. More recently, EFSI represents another potential source of synergies, although first available evaluations of EFSI also raise several areas of concern. These include, among other areas, questions of additionality of EFSI-funded projects and its coordination with other existing financing instruments.

4.1. POTENTIAL OF ADOPTED MEASURES TO CREATE ECONOMIC GROWTH

4.1.1. Evidence on growth-friendly measures

Focusing on recent scientific evidence, the reviewed literature provided some insights into the potential of individual measures recommended in CSRs to engender economic growth. By referring to a wider body of evidence, the following growth-friendly measures often brought up in CSRs were identified.

There is some evidence on the role of sound public finances in supporting GDP growth. In particular, ensuring debt sustainability, spending-based consolidations and smoothing cyclical fluctuations can be mutually reinforcing (Pina 2016). Changing the composition of expenditure and revenue can also support growth. On the expenditure side, investments in infrastructure and certain public spending items (public investments in education, health, childcare) boost potential growth, while others (pensions and public subsidies) lower potential growth (Fournier & Johansson 2016). Measures in support of innovation are also found to lift potential GDP (OECD 2015). In other words, when large cuts in public investment are made, the expenditure composition becomes less growth-friendly (Pina 2016).

On the revenue side, tax policy and tax reform have the potential to contribute to long-run growth. Empirical results support the theoretical beliefs that economic growth can be increased by gradually moving the tax base towards consumption and immovable property (Arnold et al. 2011, Acosta-Ormaechea & Yoo 2012). Corporate taxes are found to be most harmful for growth, followed by personal income taxes, and then consumption taxes, while recurrent taxes on immovable property appear to have the least impact (Johansson et al., 2008). The tax change that shows the most promise in terms of both increased growth and economic recovery is the reduction of income taxes (including social security contributions) of those on low incomes (Arnold et al. 2011). Similar considerations hold for reforms of a more qualitative nature, such as broadening tax bases, or greater efficiency in spending (Pina 2016).

There is also empirical evidence that product market and labour market reforms can lift growth markedly in the medium to long term. A reduction in barriers to access the markets (Cacciatore et al. 2012), and an increase of competition in the tradable and non-tradable sectors (Anderson et al. 2014) can stimulate private investments and growth. While there is evidence on the potential to create in the medium–long term, the same literature warns that short term effects are modest (Barkbu et al. 2012), or even negative in terms of a temporary increase in unemployment (Cacciatore et al. 2012).

Well-designed reform packages could yield stronger results than fragmentary reforms. Coordinated policy implementation at EU level, through positive cross-border spillover effects and stronger adjustment in the nominal exchange rate of the euro, might result in larger benefits that are also felt more quickly (ECB 2015). In particular, the implementation of service sector reform jointly with labour market reform allows faster and more balanced economic expansion. Implementation design aspects of structural reforms are therefore crucial, because if reforms are properly targeted and implemented, the short-term benefits can significantly outweigh any potential short-term costs, with longer-term positive impacts (ECB 2015).

A number of studies have attempted to quantify the impact that could be expected from adopting recommended measures. For example, the IMF estimated that closing the 10–20 percent gap to top OECD performers in product and labour markets could help raise GDP in the Eurozone by 3.5 per cent

(IMF, 2014) with other studies reaching similar conclusions (Anderson et al. 2014; Barkbu et al. 2012; ECB 2015; Hobza & Mourre 2010; Varga & in t' Veld 2014).
Using an econometric modelling, Varga and in 't Veld (2014) estimated potential impacts of structural reforms related to market competition and regulation, tax, unemployment benefit and other labour market reforms, human capital and R&D investments (if they were implemented) on economic growth. The results of the simulation showed GDP growth by up to 3 per cent after five years and 6 per cent after ten years. More optimistic estimates showed gains from structural reforms could be close to 10 per cent at the ten-year horizon (Bouis and Duval 2011).

4.1.2. Evidence on risks to economic growth

There appears to be a consensus around the fact that structural reforms may have positive effects on growth in the medium-to-long run, but they often require long implementation times and their benefits are not immediate. In a context of weak demand and economic downturns, structural reforms should be accompanied and supported by macro policies, including fiscal policies and direct support to demand (Caldera-Sánchez et al. 2016).

Recent literature expressed more caution against structural reforms and favoured demand-side policies and growth stimulus especially in the time of crisis (Ban 2015; Broome 2015; OECD 2016). More public spending (on unemployment benefits, active labour market policies, childcare, R&D) could mitigate the negative impact from these reforms in the short run (Crespy & Vanheuverzwijn 2016) and demand support can also increase the effectiveness of structural reforms (IMF 2016).

Nevertheless, many researchers argued that, since 2010, the fiscal stance has been too restrictive and did not take into account the economic situation in most EU countries and in the euro area. The 'expansionary fiscal consolidation hypothesis' has been questioned extensively in light of the austerity measures that were recommended in several EU member states. Furthermore, fiscal consolidation can lead to spillover effects in other countries, again especially during an economic downturn (Carnot & Castro 2015; Baldwin et al. 2015; Goujard 2013).

In a high-profile study, Blanchard and Leigh (2013) found that, in advanced economies, stronger planned fiscal consolidation has been associated with lower growth than expected, with the relation being particularly strong, both statistically and economically, early in the crisis. The natural interpretation of these results is not only that fiscal multipliers were substantially higher than implicitly assumed by forecasters, but that austerity measures had slowed down growth significantly. As fiscal consolidations generally take place in a depressed economic environment with relatively high multipliers, if austerity continues, the fiscal tightening may reduce growth prospects and raise the debt ratio (Eyraud & Weber 2013). The results from Eyraud and Weber indicate that delaying the consolidation effort until more normal economic conditions prevail would substantially lessen the size and duration of the fiscal adjustment's impact on growth.

The economic impact of fiscal consolidation plans for the period 2011–13 in the EU was further assessed by Holland and Portes (2012). Their findings indicate that the poor growth performance of most EU countries (including the UK as well as euro area countries) in the two years preceding the study's publication can be primarily attributed to fiscal consolidation. The direct implication is that the austerity policies recently pursued by EU countries have had damaging effects. The authors conclude that not only would growth have been higher if such policies had not been pursued, but debt–GDP ratios would have been lower. There is also evidence that government gross fixed capital formation has been a major victim of fiscal consolidation in the EU: public investment declined in the

EU and even collapsed in the most vulnerable countries, exaggerating the output fall (Barbiero & Darvas 2014).

The debate surrounding possible tensions between fiscal responsibility and stability and economic growth is not new. It has been a fundamental part of the discussions about the functioning and performance of European economies and the EMU from its beginning.[45] In this regard, it is necessary to consider the implementation and contribution of individual measures in response to CSRs as part of the overarching policy framework set by the European Semester. This framework (as illustrated in Box 4 below) may place constraints on individual member states and their ability to achieve AGS goals. Particularly in light of the recent evidence about the negative impact of austerity measures on economic growth in the EU and elsewhere, this raises questions about the extent to which, and how, all AGS priorities can be pursued in a coherent manner. In this regard, summarising the discussion on whether austerity and growth-friendly policies could be pursued at the same time Crespy and Vanheuverzwijn (2016) concluded that:

> we still do not know how retrenchment and investment work together, what the right sequencing is, and whether they are not most of the time contradicting each other, thus feeding stagnation. (Crespy & Vanheuverzwijn 2016, 24)

Box 4: Illustration of constraints of the macroeconomic policy framework

While assessing the synergies between the fiscal and economic policy priorities and national and EU budgets in promoting jobs and growth, it is also important to acknowledge the role of the overarching macroeconomic policy framework in this context, which plays a decisive role in the functioning and implementation of the European Semester. Alongside a common monetary policy for the euro area member states, which is the responsibility of the ECB, the economic logic and orientation of fiscal and economic policy coordination and surveillance are instrumental in shaping macroeconomic conditions that have an influence on the development of jobs and growth in the EU.

Fiscal Policy coordination is governed by the SGP, which sets an upper public deficit limit of 3 per cent of GDP. Following the European debt crisis, fiscal consolidation became a priority of European decisionmakers. This can be explicitly seen among the priorities of consecutive Annual Growth Surveys, but is also illustrated by the fiscal consolidation measures that have been implemented in the financial assistance programme countries, such as Greece, Spain, Ireland and Portugal. These consolidation measures were accompanied by the requirement of reforms aiming at sustainable growth. However, under the fiscal constraints of the SGP and the financial assistance programmes' memoranda of understanding, it is questionable whether the overall level of possible spending is sufficient for substantial creation of jobs and growth, especially in those countries most hit by the crisis (Vines 2016).

Furthermore, in the wake of the debt crisis, the MIP was introduced as a new instrument for economic policy coordination, which puts further pressure on member states with less competitive economies. While the overall initial logic of the design of the Economic and Monetary Union implied that fiscal surveillance and sustainable fiscal policymaking would be sufficient in order to keep the risk of negative spill-overs low, European decisionmakers became aware that

[45] For instance, see EC (2006) for a discussion of the adjustment dynamics in the euro area preceding the European debt crisis.

macroeconomic imbalances and divergences in competitiveness were among the causes of the severity of the debt crisis (Council of the EU 2010).

These macroeconomic developments were not explicitly monitored in the pre-crisis governance framework and are now part of the MIP. One important part of the MIP is the monitoring of the current account balance. In order to cope with current account deficits, competitiveness and thereby external demand should be strengthened. By contrast, current account surpluses are linked to high competitiveness and contribute to the current account deficit of less competitive member states. In order to tackle large current account surpluses, domestic demand and the growth potential should be strengthened (Council of the EU 2010). However, despite the interdependent nature of these two developments, the legal framework puts an emphasis on action to be undertaken by those countries that show a current account deficit (EU 2011c). This asymmetric approach is further reflected in the MIP scoreboard by allowing a current account surplus of 6 per cent of GDP, but a current account deficit of only 4 per cent of GDP. Since countries with current account deficits should, in theory, aim to strengthen external demand, this makes it problematic to adopt expansionary fiscal policy, which would negatively affect the current account balance through strengthened domestic demand. The MIP would, in theory, require expansionary policies by countries with a high current account surplus, thereby creating more demand and a potential smoothing of other countries' current account deficits. However, Germany with a current account surplus of approximately 8 per cent, as well as the Netherlands, do not seem to take substantial action in this regard (Vines 2016).

Therefore, for countries with a less competitive economy and a current account deficit, the framework of the MIP renders the creation of jobs and growth through increased fiscal spending difficult. Accordingly, the MIP reinforces, in theory, the fiscal constraints that are already imposed by the SGP.

Much less evidence was found on the growth potential of measures adopted by the EU – these, including flagship initiatives under Europe 2020, were largely criticised by the EC itself and experts as insufficiently linked with the European Semester and CSRs to exploit synergies (Renda 2014; EC 2014). As Renda (2014) said:

> The seven flagship initiatives were insufficient to restore growth from the very beginning. (…) For example, most initiatives planned under the 'European platform against poverty' have been reportedly launched and implemented (…), but poverty in Europe is on the rise, and there is no strategy left. This suggests that the level of ambition of at least some of the flagship initiatives was insufficient to achieve the smart, sustainable and inclusive growth evoked by the strategy as a whole.

On the other hand, EU measures and spending in other areas, such as R&D, were prioritised and increased the emphasis on the efficiency and impact of investments in this area (Ulnicane 2016) as crucial for future growth and in line with the most recent thinking of the growth-friendly initiatives discussed above.

However, as stressed throughout this report, the relatively small size of the EU budget means its contribution is most likely achieved in synergy with other efforts. We turn to this discussion in the next section.

4.2. SYNERGIES BETWEEN THE EU AND NATIONAL BUDGETS' PRIORITIES/ CONTRIBUTIONS TO THE ACHIEVEMENT OF THE AGS AND THE CSRS

As discussed in Chapter 3, the EU budget remains very small in comparison with national budgets. As such, the EU budget is expected to focus on areas with strong European added value (EAV), which directly touches on the ability to give rise to synergies in public spending.

On a general level, the EC defines the European added value as the 'value resulting from an EU intervention which is additional to the value that would have been otherwise created by Member State action alone' (EC 2011, 2). From an economic point of view, the EAV of public spending relates to the concept of net benefits, i.e. to the difference between the sum of direct and indirect benefits (measurable for instance in terms of employment generated or private investment triggered) and direct and indirect costs (usually relating to opportunity costs and financing costs). To demonstrate EAV, the net benefits of public spending at the European level should be larger than those at the national level (Heinemann et al. 2013). In other words, EAV essentially compares the net benefits of spending by national governments with those that arise from spending in the same category at the European level. In this sense, added value is technically the difference between the net benefits of spending at the EU level and the net benefits at the national level.[46]

The EC performs a test to assess the added value of proposed expenditure in all policy areas using the following criteria:

- Effectiveness: where EU action is the only way to get results to create missing links, avoid fragmentation, and realise the potential of a border-free Europe.
- Efficiency: where the EU offers better value for money, because externalities can be addressed, resources or expertise can be pooled, an action can be better coordinated.
- Synergy: where EU action is necessary to complement, stimulate, and leverage action to reduce disparities, raise standards, and create synergies.

European added value may be the results of different factors: coordination gains, legal certainty, greater effectiveness, complementarities, etc. The Commission staff working paper accompanying the proposals for the 2014–2020 MFF (EC 2011) explains the added value of having an EU budget presenting many examples of how this works in practice in the member states.

4.2.1. Mechanisms in support of synergies

To deliver added value, the EU budget aims to create synergies with national budgets and concentrate on public goods that can be effectively supported through EU investments. This was explicitly stressed by the HLGOR report (2016), which, among the principles that should guide the reform of the EU budget, included a direct reference to synergies. The report recommended that

> Given constraints on the EU budget and the pressure on public expenditure in general, most European objectives should be sought through complementarity between the European and national levels. Greater attention should be given to synergies between the EU budget and national funding for areas with a high European added value or where national financing possibilities are insufficient for achieving a European public good. (HLGOR 2016, recommendation #2, 11)

[46] It is important to note that the magnitude of net benefits and EAV are not conceptually connected. For instance, even if net benefits are negative, provision at the EU level may still be advantageous.

A general framework for assessing the synergies between EU and national budgets was introduced in Dhéret et al. (2012). Mechanisms that support these synergies included:

- Overall coordination mechanism
- Alignment of national priorities with strategic objectives of the EU
- Leverage of EU co-financing on national resources to achieve EU priorities.

The literature commenting on mechanisms such as AGS remains scarce, although a number of authors emphasised that the AGS may encourage member states to follow successful policies leading to positive spillovers (Pina 2016; Gros & Alcidi 2015; Deroose & Griesse 2014; Varga & in 't Veld 2014; Mourre 2013).

More evidence was found around the alignment of priorities, especially around the use of European Structural and Investment Funds (ESIF). A recent review of documents programming the use of ESIF at the national level showed that with some variations between countries, all thematic objectives pointed to by the EU were taken up by member states (Pucher et al. 2015). Also, despite the requirement for thematic concentration, most chose to support all 11 Thematic Objectives with only a few member states focusing on a limited number of Thematic Objectives. The study also showed that the CSRs were taken into account in the reviewed documents, and the relevant parts were decisive for the choice of Thematic Objectives and priorities in the Operational Programmes. The study concluded that member states' needs and strategies were broadly aligned with the Europe 2020 targets and the European Structural and Investment Funds priorities and that the 'synergies between the use of European Structural and Investment Funds and national instruments are also outlined' in most of the reviewed documentation (Pucher et al. 2015, 10). Dhéret et al. (2012) also investigated the possible alignment of regional priorities to EU strategic objectives, and the congruence of policies and budgets and found that Structural and Cohesion Funds remain the main driver of alignment. In particular, a large proportion of national co-financing was directly geared towards achieving EU objectives, which has led to a reorientation of national expenditure and policy priorities. In a similar vein, Renda (2014) concluded that in the 2014–2020 multi-annual financial framework the link between the EU structural funds and Europe 2020 targets was reinforced, although the consistency between these could be still further enhanced.

With respect to the third synergy mechanism, leveraging EU co-financing, the EU budget for investment and other growth-enhancing expenditure amounting to 0.5 per cent of EU GDP was considered insufficient to generate economies of scale and positive externalities on its own (Pina 2016). Therefore, again, some authors pointed to the EU structural funds – which as sine qua non require national public and private co-financing – as areas where synergies between the EU and national budget priorities can be best observed. Firstly, these funds account for almost half of total EU-level spending that was considered as a growth-friendly shift over time (Pina 2016). Secondly, because these funds require match funding at the national level, Rodriguez-Pose and Garcilazo (2013) noted that they were a powerful tool to increase the quality of public finances, improve the composition of public spending, and to enhance the efficiency of the national expenditure concerned. Similarly, according to Sabato et al. (2014), sustainable and qualitative growth can be reached if, in countries that experience budgetary difficulties, investment financed by national resources is complemented by EU financing available through EU funds. However, Darvas (2014) pointed out that the substantial fall in public investment happened despite the supporting role of the EU budget. This is in line with Pina (2016), who pointed out weaknesses of the mechanisms that enforce the additionality principle and require member states to increase national funding in the supported areas (rather than replace it with the EU funds).

On a related note, there was also some evidence that focused more specifically on the use of ESIF to support public administration reform – the central issue in the European Semester, both in the AGS and in CSRs for many member states. Enhancing institutional capacity (Thematic Objective 11) was taken up by 18 countries eligible for the Cohesion Fund, with the exception of only France and Italy (Pucher et al. 2015). For the first time, the use of ESIF funds under this objective is dependent on the existence of a policy strategic framework for public administration reform. This is in line with CSRs received by the member state in the field of public administration (Asatryan et al. 2016).

The question of conditionality in the use of ESI Funds and EU resources more broadly, also represents one of the issues in the ongoing debate on the reform of the EU budget. There are proposals to strengthen and extend the existing links between the EU budget and the economic governance framework of the Union, for example, macro-conditionality of the ESI Funds and links with country-specific recommendations. In particular, in a 2017 opinion,[47] the European Economic and Social Committee raised the issue of respecting the very close link between the EU budget and the new model of EU economic policy and the EU's current economic performance over the medium term; for instance, among others the links between the Europe 2020 strategy, the European Semester, the six-pack, the two-pack and the CSRs. One approach suggested was close links to Country-Specific Recommendations as a benchmark for efficient allocation of the EU budget. In the same direction, a project led by Green Budget Europe (2016) suggests that the European Semester could contribute to better spending of EU funds by member states and should be used to strongly link CSRs and the performance framework of member states' EU funds spending plans to ensure a better contribution to the Europe 2020 Strategy's environmental and social targets. Similarly, the HLGOR report also recommended the vertical coherence of the EU and national budgets within the European Semester is reviewed: 'It is recommended that the link between the EU budget and the overall fiscal policy governance framework be strengthened in order to create synergies and minimise the fiscal burden where possible' (HLGOR 2016, recommendation #8, 13). On the expenditure side, reform actions should address the need to have expenditure at the right level (EU or national), identify common objectives for EU and national budgets, and promote growth-friendly expenditure. On the revenue side, there is a need to improve the information shared in relation to national budget procedures, the European budget procedure and the European Semester, so that national contributions to the EU budget could be clearly understood and anticipated, and shared objectives better aligned.

[47] Opinion of the European Economic and Social Committee on 'A performance-based EU budget and its focus on real results: the key to sound financial management' (own-initiative opinion) (2017/C 034/01)

4.2.2. EFSI as a possible vehicle for synergies

Synergy mechanisms and co-financing considerations particularly apply to EFSI as well, as it is specifically intended to stimulate investments for the purpose of fostering economic growth and creating jobs. However, whether the EFSI is efficiently designed and can meet its targets is not an uncontested matter. On the one hand, there is evidence that EFSI is on track to achieve its targets, both in terms of total investment mobilised and leveraged (Rinaldi & Núñez Ferrer 2017). On the other hand, several aspects of the EFSI have been subject to criticism. Le Moigne et al. (2016) conducted a quantitative assessment and simulations, and found that EFSI cannot be effective as a stimulus package because of the delay in its adoption. The authors summarised their criticism stating that the EFSI and the investment plan was 'probably too little, and certainly too late'.

The EIB Operations Evaluation of the functioning of the EFSI (EIB 2016b), concluded after the first year of its operation, stated that while EFSI was in place and on track to deliver its investment target, there were areas for improvement. The EIB stressed the need to improve EFSI complementarity with the other two pillars of the Investment Plan for Europe, in particular because Pillar 2 (focused on advisory services and information sharing) had only kicked off recently, while Pillar 3 (focused on the regulatory environment, structural reforms and removal of barriers to investment) had made only moderate progress to date. Other suggested areas for improvement included the need to increase the results in terms of private sector capital mobilised, and the need to address the issue of the geographical distribution of EFSI. The latter is of concern because EFSI's aggregated portfolio is highly concentrated (92 per cent) in the EU15. The EFSI independent evaluation carried out by EY (EY 2016) indicated that this geographical spread is due to the limited capacity for project development in these countries, their lack of experience with public–private partnerships, the competition with ESIF, as well as the size of the markets and projects. EIB evaluation suggest that EFSI's eligible sectors may need to be expanded in order to improve the EIB Group's outreach to EU13 countries, while the EY evaluation recommends further investigation into the specific needs and market gaps in countries that make less use of EFSI support and their ability for absorption of EFSI, in order to better address the needs of those countries.

According to the EFSI Regulation, the EU Guarantee will be granted in support of operations that meet the criterion of additionality. Additionality is defined as the support by the EFSI of operations which (i) address market failures or sub-optimal investment situation, and (ii) could not have been carried out to same extent or in the same timeframe without EFSI. The Regulation further elaborates on the definition by placing particular emphasis on the risk profile of the operations and the overall portfolio by stating that EFSI financing shall be considered to provide additionality to a project if it carries a risk corresponding to EIB Special Activities.[48] This article of the Regulation has led to discussions on how best to ensure that EFSI provides additionality (EIB 2016b). In practice, the EIB addresses the more comprehensive criteria of additionality for its Special Activities, and so goes beyond the requirements of the EFSI Regulation. This suggests that the definition and use of additionality in relation to the Special Activities may need further clarification. Stakeholders consulted in the EFSI independent evaluation (EY 2016) indicated that some of the financed projects could have been financed without EFSI support, meaning that these investments could be interpreted as not being fully additional.

[48] Special Activities are lending or guarantee operations that entail risk that is greater than the risk generally accepted by the European Investment Bank.

The EY evaluation also stressed that EFSI contribution to growth and jobs is currently insufficiently measured and monitored. In particular, no targets have been set for EFSI in terms of the objectives relating to growth and jobs. While the EIB Group is working on modelling tools to estimate the impact, the EY evaluation recommends identifying further relevant indicators and establishing monitoring indicators and procedures to reveal information on the contribution of EFSI to the objectives relating to growth and jobs.

The existence of synergies and the coherence of the EFSI with other EU instruments is also disputed. While there is evidence that EFSI has been designed to[49] and can work together with other instruments such as ESIF, Horizon 2020 and CEF, risks remain with regards to fragmentation and overlapping of funding in some specific areas. For research, development and innovation investment, the evaluations carried out by EIB (2016) and EY (2016) both confirmed that the cooperation between EFSI, CEF and Horizon 2020 funds are subject to some level of risk as the adoption of the EFSI guarantee is generally preferred. The risk is that funding is channelled to EFSI rather than other existing instruments, and that financing initiatives are competing for the same type of projects rather than financing separate unique projects. In particular, as EFSI and the CEF debt instrument cover the same type of investments, there is a degree of competition between the two instruments and evidence that CEF-eligible projects end up being financed by EFSI. Potential risks of overlaps are also detected with respect to SME financing (Rinaldi & Núñez Ferrer 2017). Products from COSME, InnovFin[50] and EFSI are, with minor differences, targeted to similar beneficiaries and are meant to respond to similar market failures. The EFSI Regulation also highlights the importance of complementarity of EFSI and ESIF, which can in theory be combined at different levels (EC 2016c). In practice, the EIB evaluation found that few EFSI operations had received complementary finance from ESIF funds, and the different eligibility criteria or Regulations do not ease a combined usage. The competition between EFSI and ESIF is confirmed by the interviews conducted for the EY evaluation, especially for the Cohesion countries that receive large amounts of ESIF funding.

Both evaluations recommended further developing the use of additionality, facilitating complementarity and synergy, and avoiding overlaps with other financing sources. However, they do not provide specific remedies or suggest specific measures to address these issues.

[49] See, e.g. EC (2016) European Structural and Investment Funds and European Fund for Strategic Investments complementarities. As of 28 February 2017:
http://ec.europa.eu/regional_policy/sources/thefunds/fin_inst/pdf/efsi_esif_compl_en.pdf

[50] InnovFin (EU Finance for Innovators) is a joint initiative launched by the European Investment Bank Group (EIB and EIF) in cooperation with the European Commission under Horizon 2020.

5. CONCLUSIONS AND POLICY IMPLICATIONS

Conclusions

On the basis of evidence collected through the research tasks undertaken, the research team formulated the following conclusions.

AGS priorities are reflected in the EU budget in a variety of ways.
Given the nature of the EU budget as primarily an investment vehicle, its contribution falls in the category of investment-related AGS priority areas. The EU budget devotes a notable share of its budget to AGS priorities (primarily through sub-heading 1a and ESI Funds) and these relevant appropriations appear to have grown over time, both in absolute terms and as a share of the EU budget. In particular, the launch of EFSI represents a swift mobilisation of resources explicitly dedicated to the fulfilment of AGS priorities, having grown to account for over 10 per cent of all commitments under heading 1a in 2017. In another demonstration of continued focus on growth investment, the EU made use of one of its Special Instruments, the Global Margin for Commitments, to increase funding for a series of programmes under heading 1a. The additional allocations were earmarked for Erasmus, Horizon 2020, COSME and CEF, all of which have clear direct links to AGS priorities. Furthermore, these budgetary developments have occurred against a backdrop of substantial instability in the EU's neighbourhood, which put pressure on increasing allocations that could help address the situation, such as Heading 3 (Security and Citizenship) and Heading 4 (Global Europe).

Despite action at the national level there remains room for greater CSRs implementation.
Member states generally report acting on, or starting to act on the vast majority of received CSRs (94 per cent). The number of instances where member states have not taken any action or do not even plan to take any remains minimal (6 per cent). However, responses to CSRs and implementations noted by member states tend to be works in progress, with only a fraction of recommendations addressed fully (20 per cent). COM assessments of CSR implementations paint a similar picture, albeit in starker terms (4 per cent). The absolute number of CSRs with no action remains relatively low (5 per cent), but so is the number of CSRs with an assessment of substantial progress (4 per cent). In instances where member states and COM assessments differ, perhaps unsurprisingly, member states' self-reports appear to paint a more positive picture. The relatively low degree of satisfactory implementation of CSRs is also demonstrated by the fact that a sizeable share of CSRs is repeated in the same or similar form year on year. The limited extent to which CSRs are implemented was also noted by existing literature on the topic, which noted substantial differences in compliance across individual countries and CSR types.

In particular, available national budgetary indicators suggest uneven CSR implementation, although this data source is subject to multiple limitations.
This study attempted to complement an analysis of national documentation with an exploration of available budget data. This exploration revealed a similar pattern to that emerging from national documentation. The extent to which national budget allocations changed following the issuance of a CSR varies across member states and policy areas, with a persistently high share of changes in the opposite direction to that called for by the CSR in question. However, national budget data are an imperfect source due to a possible lack of consistency across years and spending categories and due to limited availability of data disaggregated at the appropriate level. In addition, unlike national

documentation, budgetary data on their own do not make any statements about the relationships between CSRs and budgetary indicators, making it entirely plausible there is none.

Synergies between EU and member states' budgets in a narrow sense exist in so far as they both work towards the accomplishment of common AGS-related goals.

One mechanism through which synergies between EU and member states' budget can be assessed is alignment of policy priorities. In this regard, available evidence points at the existence of budgetary synergies, primarily in connection with ESI Funds, their operationalisation at the national level and their matches with EU priorities. In a broader sense of synergies, the extent to which the EU budget helps member states' budgets with the achievement of AGS priorities remains more difficult to assess. Available literature points again at ESI Funds and their co-financing requirements as an important mechanism through which synergies can be achieved, although ongoing proposals to increase the element of macro-conditionality indicate that the potential for additionality may not have been fully realised. More recently, EFSI represents another potential source of synergies; however, while early indicators suggest that the instrument is on track to meet its output targets in terms of leveraged and mobilised investments, its effectiveness in terms of outcomes and impacts has not yet been fully settled.

Further issues for consideration

In addition to the conclusions above, we present a series of issues for further consideration. The points are discussed in a separate section as they touch on issues extending somewhat beyond the scope of this paper. They nevertheless merit being raised as they are intrinsically related to the AGS framework.

There is wide consensus that measures adopted in the pursuit of two out of three AGS priority areas can lead to envisaged positive outcomes.

While there is some variation in how AGS priority areas are presented across years, they can broadly be categorized into three groups – structural reforms, pro-growth investments, and fiscal consolidation. With respect to the first two categories, there is wide-ranging consensus in existing literature that measures adopted in these areas have the potential to lead to economic growth and/or improved public spending. Moreover, a small number of existing studies have attempted to quantify any potential impact of these measures and, while the size of their estimates varied (reviewed studies ranged between 3 and 10 per cent of GDP), they have arrived at generally positive findings of increased economic output.

Objections are raised about the appropriateness of fiscal consolidation as a goal/recommendation, particularly in times of economic downturns.

While there appears to be broad consensus in the two areas discussed above, numerous studies have raised objections or questions about the appropriateness of other parts of the AGS policy framework. In practical terms, these concerns primarily address the area of fiscal consolidation and, by extension, the design of the Stability and Growth Pact. Specifically, multiple authors question the extent, if any, to which fiscal retrenchment, as called for in a number of CSRs in accordance with SGP provisions, can be conducive to economic growth and job creation, especially in countries facing adverse economic circumstances. A related point of contention is the extent to which action in areas such as investment can mitigate and/or offset any negative effects of fiscal retrenchment and the sequencing and coordination of action in multiple policy areas.

Implications of recent evidence on the effects of fiscal consolidation may be worth reflecting in the AGS.

Existing evidence suggests that all three AGS priority areas may not always be compatible. More specifically, the role of fiscal consolidation in the pursuit of economic growth, particularly at times of economic downturn, has been repeatedly challenged. The Annual Growth Survey drafting process may wish to reflect on this body of evidence and review how to ensure that recommendations delivered under all of its priority areas are coherent. This can be accompanied with technical guidance for member states on how to coordinate action in multiple policy areas and on the possible mitigation of any contradictory effects of individual measures.

Policy recommendations

Building on its findings and conclusions, the study puts forward the following recommendations.

The concept of EAV can be more strongly embedded in the European Semester and its reporting mechanisms.

The EU budget is relatively small in size. Its overall impact depends mainly on its capacity for delivering added value, i.e. financing projects that otherwise would have not been funded and leveraging from other sources. In this respect, synergies between the EU budget and the member states' national budgets are essential to maximise European added value. However, the EAV is not formally built into any of the EU mechanisms assessed, such as the AGS, CSRs and resulting reporting, and EU institutions do not systematically assess EAV in the context of the European Semester.

As there is no common approach to measure the EAV, agreeing on a more operational approach could be beneficial. Reporting mechanisms could be designed to ensure that additional data and information are systematically collected. Counterfactual evaluation cannot be always conducted. However, member states could be encouraged to present further description in their reporting documentation, such as NRPs, of the potential synergies envisaged between their budgets and the EU resources. Subsequently, adopting a longer-term perspective, member states can be invited to report back on whether the expected synergies have materialised, in what form and what factors helped/inhibit their occurrence.

While it is important that such reporting not be an undue burden for member states, it could enhance transparency and accountability, and foster the exchange of best practices. In addition, systematic collection of this type of information may be necessary to fully assess the impact of EU funding mechanisms, such as EFSI, and address concerns raised in their evaluations so far.

It may be beneficial to embrace a longer-term perspective in the European Semester monitoring and assessments.

The process of the European Semester is organised on an annual basis. A new edition of the Annual Growth Survey is published every year, followed by a new set of CSRs issued to member states. Subsequent reporting by both member states and the Commission uses the latest set of CSRs as a reference point. In the subsequent year, the monitoring and reporting process is repeated on the basis of a new AGS and CSR. However, this design means that monitoring is necessarily process- and output-oriented and may miss opportunities afforded by longer term monitoring to explore results in greater detail. For instance, any effects resulting from complying with a CSR may take longer than one year to materialise. Suppose a country receives (in a year *n*) a recommendation to undertake a tax reform. Even if the desired tax reform is passed in year *n*, it will affect economic activities in year *n*+1 (when final CSR reporting takes place) with relevant macroeconomic data available only in year *n*+2. The longer-term perspective may be particularly important given the ultimate objective of the AGS is to engender economic growth. Accordingly, while it may be possible to assess on an annual basis whether recommended measures have been put in place, this approach does not allow an analysis of whether the measures worked as expected or hoped for.

Ongoing evolution of the EU budget in the direction of greater flexibility could have the potential to strengthen its contribution towards AGS priorities and may merit further development.

The structure and rules of the EU budget help ensure budgetary responsibility, but may hinder the ability to react to new developments and make changes to address arising policy priorities. In response, the EU has made an effort to increase the flexibility of the EU budget through the use of flexibility instruments, transfers of unused funding allocations and the establishment of new budgetary tools able to leverage non-EU financing. The YEI and EFSI represent two examples of initiatives in the latter category with direct relevance for AGS priorities. The push for greater flexibility is also a major part of the ongoing review of the current MFF and appears to be endorsed by relevant policymakers and experts. This could result in an EU budget that is more agile and equipped to reallocate resources in line with evolving EU policy priorities. By extension, this may help strengthen the EU's contributions towards AGS priorities, but could of course also be used for other priorities, such as security crises. At the same time, caution may be required in ensuring increased use of flexible instruments does not weaken accountability and transparency standards.

Further efforts to address current data limitations are desirable.

An analysis of CSR reflections in national budgets is inevitably constrained by data limitations. A solution to the problem is thus the use of a mixed methods research approach, pairing up empirical quantitative analysis with qualitative assessments of policy changes, ideally in a manner that is comparable across countries. Existing documentation and data sources (e.g. NRPs, COM country reports, national budget databases) provide useful information. However, further efforts to systematically include the following elements may merit consideration. First, CSR-related documentation may want to include more information on directly applicable social and political developments in the country. Second, to the extent possible, CSRs should be systematically paired with a clearly defined variable of interest (specifically for CSRs without any particular mentioned measurement, such as reducing financial disincentives to work or broadening tax base), their expected or proposed value, and their actual value. And third, as above, there would be a certain degree of continuity and longer-term dimension in the collection of relevant indicators.

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ANNEX A: CONCEPTUAL FRAMEWORK

Table 17: Conceptual matrix for the assignment

RESEARCH QUESTION	EXAMPLE INDICATORS	DATA SOURCES	WORK PACKAGE
Does the EU budget sufficiently reflect the priority sectors in order to create economic growth, as set out in the Annual Growth Survey, and do national budgets reflect the relevant parts of the Country-Specific Recommendations?	- Extent to which the EU budget and its allocations (approved and executed) are consistent with and incorporate AGS priority sectors - Extent to which AGS priorities are acknowledged in official EU budgetary documentation - Extent to which national budgets and their allocations (approved and executed) are consistent with CSRs - Extent to which CSRs are acknowledged and acted on in official national budgetary documentation	- EU and national macroeconomic documentation - EU and national budgetary data and documentation	WP2, WP3
Do the EU and national budgets follow the guidelines set by the AGS and CSR through investing in promoting growth and jobs, and increasing the corresponding budget allocations?	- Extent to which EU and national budgets and their allocations (approved and executed) follow AGS and CSR guidelines - Changes in relevant EU and national budget allocations (approved and executed) - Extent to which changes in relevant EU and national budget allocations (approved and executed) are linked to AGS and CSRs in official documentation	- EU and national macroeconomic documentation - EU and national budgetary data and documentation	WP2, WP3
Are there synergies between the EU and national budgets' priorities and contributions to the achievement of the AGS and the CSRs?	- Consistency between EU and national budgets in areas relevant to AGS objectives and CSRs, as documented in budgetary data and documentation - Evidence of the ability of EU budgetary allocations to support national achievement of AGS and CSR objectives	- EU and national macroeconomic documentation - EU and national budgetary data and documentation - Academic and grey literature on economic governance in the EU	WP2, WP3, WP4
Do the measures adopted have real potential to create economic growth and improve the quality and efficiency of public spending?	- Evidence of potential pathways from adopted measures to economic growth and improved public spending as captured in a) national documentation accompanying member states' budgets, b) EU documentation accompanying EU budgets, c) EU documentation assessing member states' budgets, d) wider macroeconomic literature	- EU and national macroeconomic documentation - EU and national budgetary data and documentation - Academic and grey literature on economic governance in the EU	WP2, WP3, WP4

ANNEX B: FULL METHODOLOGICAL DESCRIPTION

Analysis of EU and national-level macroeconomic documentation

For the analysis of EU-level budgetary documentation, the research team reviewed and extracted information from the following documents:

- 2014 and 2015 Financial Reports
- 2014, 2015 and 2016 Implementation Reports
- 2014 and 2015 Analysis of the budgetary implementation of the Structural Funds
- Other documentation pertaining to the 2014–2020 Multiannual Financial Framework (MFF)

For the analysis of national-level macroeconomic documentation, the research team developed a data extraction template (see Annex C) to capture relevant information related to the implementation of individual CSRs from individual documents in a consistent manner across individual countries, documents and researchers. The template is intended to capture the evidence pertaining to individual CSRs in the following domains: a) classification of CSR by policy area and its relationship to AGS priorities, b) categorical assessment of its implementation, c) detailed evidence of the CSR's implementation, and d) relationship with CSRs in future years of the European Semester.

The following types of documents were reviewed by the research team and relevant evidence was captured in the data extraction template:

- Annual Growth Surveys
- Country-Specific Recommendations, as endorsed by the Council (all countries)
- Commission's assessments of national draft budgetary plans (in-depth analysis countries)
- National Reform Programmes (in-depth analysis countries)
- Stability and Convergence Programmes (in-depth analysis countries)
- Commission analysis of Stability and Convergence Programmes (in-depth analysis countries)
- Commission Country Reports on CSR implementation (all countries)
- National Draft Budget Plans (in-depth analysis countries, Eurozone only)
- Euro-area recommendations

Categorisation and identification of relevant of CSRs

At the beginning of data extraction, the full text of individual CSRs was extracted from official documentation. CSRs were subsequently placed into several categories reflecting what policy areas were covered by a given recommendation. In executing this categorisation, we drew on typology used by Claeys (2015) in a previous assessment of the implementation of CSRs. Each CSR could fall under multiple categories and the following typology was used:

- Public Finances
- Labour Markets
- Social Policy
- Market Policy
- Financial Markets
- Public Administration

In addition to the content categorisation, we made a distinction between CSRs and their components that have or may have implications for national budgets and those that do not. In doing so, we distinguished three types of CSR components: a) those with direct relationship with national budgets (e.g. calls for investment in skills training, which imply a required change in budget allocations), b) those with indirect relationship with national budgets (e.g. calls for ensuring the sustainability of the pension system, which imply possible effect on public expenditure), and c) those with no immediate relationship with national budgets (e.g. calls for simplifying the business environment).

Following initial consultations with the commissioning team, CSRs and their components that were assessed as not having a budget dimension were filtered out and excluded from the subsequent analysis. Excluded components typically revolved around one of the following areas:

- Regulatory aspects of the labour market (e.g. recommendation to increase flexibility of the labour market).
- Regulatory aspects of the financial market (e.g. recommendation for the banking sectors).
- Liberalisation and competition measures.
- Public administration.
- Reform of the education system.
- Regulatory aspects of the pensions systems, of the health system, etc.

To illustrate, while CSRs calling for investment in research and development (e.g. CSR1 for Germany in 2014) were considered to have a direct budgetary implication, CSRs calling for the strengthening of the governance of the research and development system (e.g. CSR3 for the Czech Republic in 2016) were considered outside of the scope for this study. Similarly, while a recommendation to provide adequate training for teachers is seen as relevant for national budgets (e.g. CSR4 for the Czech Republic in 2015), a recommendation to adopt a higher education reform (without any specification) was considered irrelevant (e.g. CSR4 for the Czech Republic in 2015).

Ultimately, we stress that the identification of relevant CSRs represents a judgment call on the part of the research team, although every effort was made to ensure consistency throughout the research team.

Assessment of member states' responses to CSRs

Based on information extracted from each type of document, the research team recorded a categorical assessment of the extent to which a given CSR was reflected in the document as having been implemented or as planned to be implemented. Broadly speaking, there were two categorical assessments used. First, for documents authored by the Commission (assessments of draft budget plans, Country Reports, assessments of SCPs), we retained the assessment categories used by the Commission. For documents authored by member state authorities, we adopted a traffic-light-based approach whereby different colours reflected different stages of implementation:

- Red: CSR not mentioned, disagreed with, or not planned to be implemented
- Amber: CSR planned to be implemented but implementation not started yet
- Light green: CSR implementation has begun
- Dark green: CSR implementation completed

Member states address the CSRs in the National Reform Programmes and the Stability/Convergence Programmes. While the NRPs present the countries' policies and measures to sustain growth and jobs and to reach the Europe 2020 targets, the SCPs set out the countries' budgetary plans for the coming three or four years. These programmes are prepared in parallel and complement each other. Typically, SCPs address CSR1 focusing on the different aspects of public finances, while NRPs deal instead with the remaining CSRs. On this basis, our assessment of the member state response to the CSRs relies on merging and combining the information available in the NRPs and SCPs.

The unit of analysis for this approach was an individual CSR. Since most CSRs covered more than one area, researchers first assessed progress in each of these sub-areas and subsequently produced an aggregate assessment that would express the degree of implementation at the level of the entire CSR.

Interrogation of EU and national-level economic and budgetary data

We identified a series of databases and other sources of EU-level and national-level budgetary data and downloaded pertinent information. For the EU budget, these sources were:

- Information on EU budget as reported on EC website[51]
- Open Data Portal for the European Structural and Investment Funds[52]

For information on national budgets, we drew on the following sources:

- Eurostat Government Expenditure by Function (COFOG) database[53] and Macroeconomic Imbalances Procedure (MIP) indicators[54]
- European Commission Annual Macro-Economic (AMECO) database[55]
- National statistical offices, national finance ministries, and/or approved state budget laws of the 12 countries selected for in-depth analysis[56]

The data obtained from Eurostat and the AMECO database are standardised across time and countries and need no further refinement, as the national authorities that submit them follow detailed guidelines in order to maintain database consistency. However, data obtained from national sources vary broadly in scope and format, and while they are often comparable across years, they are inconsistent across countries and must be treated separately. As we further describe below, for each country we first selected budget categories that were closest in definition to the priorities identified in AGS; in order to obtain comparable data, we transformed all values to relative terms using total government expenditure and/or GDP as denominator. As a second step, we looked separately at each budgetary category in a given country and evaluated its changes over time in order to assess synergies with relevant CSRs, again assuming values relative to other expenditure categories or GDP. Datasets only available as part of legislation in a PDF form were transformed into a spreadsheet format.

[51] EC (2017a)
[52] EC (2017c)
[53] Eurostat (2017)
[54] Eurostat (n.d.)
[55] EC (n.d.a)
[56] See, for instance, Bundesministerium der Finanzen (2017), Bundesministerium für Finanzen (2017), Latvijas Vestnesis (n.d.) and Ministerstvo Financí (n.d.)

Rapid evidence assessment (REA)

The research team developed and piloted a series of search terms to determine an appropriate search strategy to identify a comprehensive yet manageable number of relevant hits. Based on the results of the piloting, we settled on a final set of search terms and inclusion/exclusion criteria (see Box 5: REA search parameters).

Box 5: REA search parameters

Search terms:

Search 1: (in Google Scholar): 'Country-specific recommendations' AND 'European semester' AND ('economic growth' OR 'public spending') AND (result* OR impact* OR influenc* OR affect* OR effect*) AND 'Annual Growth Survey'

Search 2 (in Google Scholar): 'EU budget' AND ('member state budget' OR 'MS budget' OR 'national budget') AND (synergy OR coheren* OR complement* OR consisten* OR support) AND (priority OR priorities) AND ('Annual Growth Survey' OR 'Country specific recommendations' OR AGS OR CSR)

Search 3 (in Academic Search Complete, Business Source Complete, EconLit, Social Sciences Abstract, abstracts only): 'European semester' AND (influence OR impact OR effect OR affect OR result)

Inclusion/exclusion criteria:

- **Publication date**: Published in 2011 or later
- **Language**: No limitation on language (although search terms kept in English only)
- **Types of studies**: No a priori limitation on method
- **Types of sources**: Master theses, dissertations, magazines and periodicals excluded
- **Geographical scope**: Only studies covering the EU (at least 1 MS) included
- **Outcomes and outputs of interest**: Only macroeconomic studies included

Identified hits were screened by a member of the research team to ensure they meet the inclusion criteria and full-texts of retained hits were retrieved. To extract relevant information from the full texts, a data extraction template was developed, structured around the research questions pertinent for the REA. The template covered the following areas: a) basic details on the reviewed study (temporal, geographical scope, type of author, etc.), b) the nature of underlying evidence, c) findings relevant to the research questions, d) any other potentially relevant findings. Researchers working simultaneously on the full-text review were in regular contact and amended the template as the REA progressed to better suit the needs of the assignment. The template was also modified following consultation with the commissioning team. Annex C shows the final version of the template. Bibliographies of sources selected for full-text review were subsequently hand-searched and potentially relevant additional sources were included in the review.

In addition to the sources identified through the search terms above, the research team also examined additional sources identified in discussion with the commissioning team and through recommendations of the European Parliament's library services.

Synthesis and reporting

Following the completion of the activities above, the research team held an internal workshop to discuss the results and findings. On the basis of discussions at the workshop, the research team formulated a set of conclusions and policy implications building on the evidence collected throughout the study.

ANNEX C: EXTRACTION TEMPLATES

Table 18: Data extraction template for document review

Country	
Year	
AGS Priority	
AGS Priority category	
CSR	
CSR category	
NRP – Categorical assessment	
NRP – Categorical assessment with subcategories and comments	
NRP – Full evidence	
Stability/Convergence Programme – Categorical assessment	
Stability/Convergence Programme – Categorical assessment with subcategories and comments	
Stability/Convergence Programme – Full evidence	
Budgetary implications mentioned in NRP?	
Claimed evidence on linkage to AGS priorities/synergies (MS)	
Claimed evidence on impact of measures on economic growth/better spending	
Draft budget plans and letter to COM – Categorical assessment	
Draft budget plans and letter to COM – Full evidence	
COM opinions/assessments of SGP based on DBP – categorical assessment	
COM opinion/assessment of structural part of fiscal CSR/fiscal governance based on DBP – categorical assessment	
COM opinions/assessments on national budget plans – Full evidence	
COM reports on CSR implementation – Categorical assessment	
Country Reports (COM Assessment of CSRs)	
MTO – Stability and Convergence Programmes – Categorical Assessment (COM Assessment of SGP-related CSRs)	
Debt Criterion – Stability and Convergence Programmes – Categorical Assessment (COM Assessment of SGP-related CSRs)	
EDP – Stability and Convergence Programmes – Categorical Assessment (COM Assessment of SGP-related CSRs)	
Stability and Convergence Programmes – Categorical Assessment (COM Assessment of SGP-related CSRs)	
Stability and Convergence Programmes – Full evidence (COM Assessment of SGP-related CSRs)	
Claimed linkage with AGS Priorities (COM Assessment Documents)	
Links to future CSRs – Categorical assessments	
Links to future CSRs – Ref and detail	
Budgetary Data	

Table 19: REA data extraction template

Source	Write in EndNote reference in the format [Record number]_[First author's surname]_[Year of publication], e.g. '1 Smith 2015'
General information	
Quick summary	If helpful
Type of author	E.g. academic, think tank, interest group, national government, EU administration
Type of evidence	E.g. empirical based on EU data, empirical based on data elsewhere, theoretical
Years covered	What years does the evidence cover?
Countries covered	What countries does the study cover?
Achievement of AGS/CSRs	
Are AGS priorities/CSRs implemented?	Include how this is measured, in what areas, trend data, etc.
If AGS/CSRs are not being achieved, why not?	
Any other comments on the achievement of AGS/CSRs?	
RQ3 Are there synergies between the EU and national budgets' priorities and contributions to the achievement of the AGS and the CSRs?	
Are there any consistencies/synergies between EU and MS budgets in AGS-relevant areas?	Include how this is evidenced and in what areas? Or are there any notable omissions?
How, if at all, is the EU–MS budget consistency/synergy related to the achievement of AGS/CSRs?	Include how this is evidenced and in what areas? Or are there any notable omissions?
Are there any other effects of the EU–MS budget consistency/synergy?	
Any other comments on EU–MS budget consistencies/synergies?	E.g. barriers to consistency, reasons for inconsistency, etc.
RQ4 Do the measures adopted have real potential to create economic growth and improve the quality and efficiency of public spending?	
Economic growth	
Does the study comment on the relationship between the implementation of AGS/CSRs and economic growth?	If possible, choose one of these options: (1) CSR implemented AND economic growth observed; (2) CSR implemented BUT no economic growth; (3) CSR NOT implemented AND no economic growth; (4) CSRs NOT implemented BUT economic growth observed
What is the evidence adopted measures have the potential to create economic growth?	Explain which measures or through which channels
What is the evidence that the European Semester more broadly has the potential to create	Explain which measures or through which channels

economic growth?	
What is the strength and quality of the evidence on the economic growth potential?	
Public spending	
Does the study comment on the relationship between the implementation of AGS/CSRs and public spending?	If so, choose one of these options: (1) CSR implemented AND improved spending observed; (2) CSR implemented BUT no improved spending; (3) CSR NOT implemented AND no improved spending; (4) CSRs NOT implemented BUT improved spending observed
Do adopted measures have the potential to improve public spending?	Include at what level (EU/MS), what is meant by 'improvement'
Does the European Semester more broadly have the potential to improve public spending?	
What is the strength and quality of the evidence on the public spending improvement potential?	
Any other comments on the potential of adopted measures or the Semester more broadly in relation to positive economic outcomes?	
Other	
Other notes	Any other notes not captured by the questions above?
Notes on EFSI	Does the paper discuss EFSI in any form?
Recommendations	Does the paper make any recommendations?
References to follow up on	

ANNEX D: ADDITIONAL TABLES AND FIGURES

Tables pertaining to Chapter 2: Synergies between the Annual Growth Survey and the EU budget

Table 20: Share of EU budget by MFF heading (commitment appropriations, 2014–2017)

MFF HEADING	2014	2015	2016	2017
1a Competitiveness for growth and jobs	11.55%	10.82%	12.24%	13.50%
1b Economic, social and territorial cohesion	33.29%	37.22%	32.74%	33.95%
2 Sustainable growth: natural resources	41.48%	39.36%	40.23%	37.11%
3 Security and citizenship	1.52%	1.55%	2.76%	2.71%
4 Global Europe	5.83%	5.37%	5.90%	6.44%
5 Administration	5.89%	5.34%	5.76%	5.95%

Sources: 2014 final adopted budget, 2015 last adopted amending budget, 2016 last adopted amending budget, 2017 adopted budget

Note: Figures quoted in current prices. Compensations and Special Instruments not shown.

Table 21: Share of overall 1a spending represented by selected budget lines (per cent change between 2015 and 2017)

BUDGET ITEM	GROWTH RATE
Large infrastructure projects	–25.08%
European Fund for Strategic Investments (EFSI)	61.14%
Nuclear decommissioning assistance programmes	–14.29%
Common Strategic Framework (CSF) Research and Innovation	–10.57%
Competitiveness of Enterprises and Small and Medium-Sized Enterprises (COSME)	–2.57%
The Union Programme for Education, Training, Youth and Sport (Erasmus+)	5.71%
European Union Programme for Employment and Social Innovation (EaSI)	–10.14%
Action Programmes for customs, for taxation and for anti-fraud in the EU	–7.48%
Connecting Europe Facility (CEF)	46.17%

Sources: 2015 last adopted amending budget, 2016 last adopted amending budget, 2017 adopted budget

Note: 2015 selected as the basis for growth rate because EFSI not included in the 2014 budget.

Table 22: Volume of ESIF funding at EU and national level (MFF 2014–2020, in millions of EUR)

FUND	EU AMOUNT	NATIONAL AMOUNT	TOTAL AMOUNT	AVERAGE EU CO-FINANCING
CF	63,390	12,167	75,557	84.29%
EAFRD	99,348	50,303	149,650	63.08%
EMFF	5,749	2,239	7,988	71.83%
ERDF	196,344	80,478	276,821	67.69%
ESF	86,405	38,524	124,929	67.24%
YEI	3,211	–	3,211	100.00%
Grand Total	454,447	183,710	638,157	65.48%

Sources: ESIF portal

Table 23: Relative contribution to individual thematic areas by ESI Fund (MFF 2014–2020).

THEMATIC AREAS	CF	EAFRD	EMFF	ERDF	ESF	YEI
Climate Change Adaptation & Risk Prevention	12.94%	72.41%	–	14.65%	–	–
Competitiveness of SMEs	–	43.86%	4.08%	52.06%	–	–
Discontinued Measures	–	100.00%	–	–	–	–
Educational & Vocational Training	–	3.32%	–	18.11%	78.57%	–
Efficient Public Administration	–	–	–	27.88%	72.12%	–
Environment Protection & Resource Efficiency	27.16%	39.86%	3.50%	29.48%	–	–
Information & Communication Technologies	–	6.40%	–	93.60%	–	–
Low-Carbon Economy	17.88%	11.53%	0.25%	70.34%	–	–
Network Infrastructures in Transport and Energy	55.90%	–	–	44.10%	–	–
Outermost & Sparsely Populated	–	–	–	100.00%	–	–
Research & Innovation	–	5.98%	–	94.02%	–	–
Social Inclusion	–	25.76%	–	26.71%	47.53%	–
Sustainable & Quality Employment	–	6.40%	1.43%	8.23%	76.00%	7.93%
Technical Assistance	15.93%	14.88%	2.18%	39.70%	27.31%	–
Grand Total	13.95%	21.86%	1.27%	43.20%	19.01%	0.71%

Sources: ESIF portal

Tables pertaining to Chapter 3: The priorities of the national budgets in relation to AGS/CSRs and the budgetary effects of CSR on national budgets

Table 24: Comparison between Commission and member state CSR Assessments (excluding SGP)

STATUS	AT		BE		CZ		FR		DE		IE		IT		LV		PL		ES		SE		UK		TOTAL	
	MS	COM	MS	COM	MS	COM	MS	COM	MS	COM	MS	COM	MS	COM	MS	COM	MS	COM	MS	COM	MS	COM	MS	COM	MS	COM
Implementation complete (MS)/ Substantial progress (COM)	2		4		4			2	1		1		3	1	1					1	1		3		20	4
Implementation begun (MS)/ Some progress (COM)	3	2	4	6	6	6	13	5	6	2	6	5	8	6	9	6	5	2	9	6	1	2	2	4	72	52
Planned to implement but not started yet (MS)/ Limited progress (COM)		3	2	4		4		6		5		1		4		4		3		2				1	2	37
Not discussed, not implemented, not planned (MS)/ No progress (COM)												1					2	2			2	2			4	5
Total	5		10		10		13		7		7		11		10		7		9		4		5		98	

Note: CSRs of the same category in both MS and COM assessment might not be the same CSRs, as the assessment might differ considerably. While no SGP related Commission assessment was taken into account, the aggregated self-assessment of CSR1 might contain a self-assessment relating to the SGP, alongside the self-assessment of other non SGP related sub-recommendations.

Table 25: Evolution of labour market promotion as percentage of GDP (absolute change compared to the previous year in brackets)

	2011	2012	2013	2014	2015
Austria	1.82% (–0.19%)	1.85% (0.02%)	2.00% (0.15%)	2.10% (0.10%)	–
Belgium	2.18% (–0.07%)	2.16% (–0.02%)	2.17% (0.01%)	2.10% (–0.07%)	1.92% (–0.19%)
Bulgaria	0.55% (0.00%)	0.65% (0.10%)	0.80% (0.15%)	0.61% (–0.19%)	–
Croatia	–	0.63% (–)	0.68% (0.05%)	0.60% (–0.08%)	–
Cyprus	1.18% (0.27%)	1.33% (0.15%)	1.50% (0.17%)	1.06% (–0.45%)	0.92% (–0.14%)
Czech Rep.	0.52% (–0.14%)	0.47% (–0.05%)	0.54% (0.07%)	0.58% (0.05%)	0.61% (0.03%)
Denmark	3.18% (–0.08%)	3.20% (0.01%)	3.20% (0.00%)	3.10% (–0.10%)	3.02% (–0.08%)
Estonia	0.69% (–0.36%)	0.69% (0.00%)	0.66% (–0.03%)	0.58% (–0.08%)	–
Finland	2.17% (–0.18%)	2.27% (0.10%)	2.55% (0.28%)	2.82% (0.27%)	2.89% (0.07%)
France	2.68% (–0.24%)	2.75% (0.07%)	2.87% (0.12%)	2.97% (0.1%)	2.95% (–0.02%)
Germany	1.65% (–0.4%)	1.54% (–0.11%)	1.58% (0.05%)	1.54% (–0.04%)	1.48% (–0.06%)
Greece	–	–	0.77% (–)	0.78% (0.01%)	–
Hungary	1.07% (–0.26%)	1.07% (0.00%)	1.11% (0.03%)	1.11% (0.00%)	–
Ireland	3.26% (–0.33%)	3.19% (–0.07%)	2.93% (–0.26%)	2.54% (–0.39%)	–
Italy	1.56% (–0.08%)	1.84% (0.29%)	1.86% (0.02%)	1.84% (–0.02%)	1.73% (–0.11%)
Latvia	0.69% (–0.56%)	0.50% (–0.2%)	0.55% (0.06%)	0.55% (0.00%)	0.55% (0.01%)
Lithuania	0.55% (–0.22%)	0.47% (–0.09%)	0.46% (–0.01%)	0.42% (–0.03%)	0.53% (0.11%)
Luxembourg	1.04% (–0.07%)	1.17% (0.14%)	1.25% (0.07%)	1.16% (–0.09%)	1.12% (–0.04%)
Malta	0.50% (0.01%)	0.53% (0.02%)	0.49% (–0.04%)	0.48% (0.00%)	–
Netherlands	2.38% (–0.17%)	2.49% (0.11%)	2.77% (0.28%)	2.80% (0.03%)	2.59% (–0.21%)
Poland	0.57% (–0.24%)	0.60% (0.03%)	0.65% (0.06%)	0.59% (–0.06%)	–
Portugal	1.75% (–0.13%)	2.01% (0.26%)	2.09% (0.07%)	1.84% (–0.24%)	1.51% (–0.33%)
Romania	0.36% (–0.23%)	0.28% (–0.08%)	0.25% (–0.03%)	0.22% (–0.03%)	0.18% (–0.04%)
Slovakia	0.46% (–0.02%)	0.46% (–0.01%)	0.44% (–0.02%)	0.40% (–0.03%)	0.39% (–0.01%)
Slovenia	1.20% (0.06%)	1.08% (–0.12%)	1.16% (0.08%)	0.97% (–0.19%)	0.76% (–0.21%)
Spain	3.46% (–0.27%)	3.36% (0.16%)	3.27% (–0.16%)	2.87% (–0.40%)	–
Sweden	1.71% (–0.09%)	1.86% (0.15%)	1.98% (0.12%)	1.90% (–0.08%)	1.78% (–0.12%)
UK	–	–	–	–	–

Source: Eurostat [lmp_exme].

Note: The following categories were summed up: Employment incentives, Direct job creation, Labour market services, Out-of-work income and maintenance support, Supported employment and rehabilitation, Training.

Table 26: Evolution of the consumption–income tax ratio (absolute change compared to the previous year in brackets)

	2011	2012	2013	2014	2015
Austria	1.15 (0.00)	1.13 (–0.02)	1.10 (–0.03)	1.06 (–0.04)	1.02 (–0.04)
Belgium	0.9 (–0.03)	0.89 (–0.01)	0.85 (–0.03)	0.85 (0.00)	0.87 (0.02)
Bulgaria	5.20 (0.14)	5.30 (0.10)	5.53 (0.23)	4.77 (–0.76)	5.16 (0.39)
Croatia	4.78 (–0.13)	4.71 (–0.07)	4.65 (–0.06)	4.56 (–0.09)	5.16 (0.60)
Cyprus	3.72 (–0.38)	3.64 (–0.08)	4.39 (0.75)	5.20 (0.81)	5.06 (–0.14)
Czech Rep.	3.25 (–0.01)	3.37 (0.11)	3.37 (0.00)	3.08 (–0.28)	3.32 (0.24)
Denmark	0.58 (0.00)	0.57 (–0.01)	0.55 (–0.02)	0.48 (–0.06)	0.53 (0.05)
Estonia	2.05 (0.06)	20 (–0.06)	1.78 (–0.22)	1.77 (–0.01)	1.75 (–0.02)
Finland	1.16 (0.05)	1.15 (–0.01)	1.16 (0.01)	1.10 (–0.06)	1.10 (0.00)
France	1.39 (0.00)	1.30 (–0.09)	1.25 (–0.04)	1.27 (0.02)	1.30 (0.03)
Germany	0.97 (–0.03)	0.92 (–0.05)	0.89 (–0.03)	0.88 (–0.01)	0.87 (–0.01)
Greece	2.63 (–0.38)	1.76 (–0.87)	2.08 (0.32)	2.12 (0.04)	2.34 (0.22)
Hungary	2.62 (0.51)	2.58 (–0.04)	2.61 (0.03)	2.53 (–0.08)	2.51 (–0.02)
Ireland	1.04 (–0.09)	0.99 (–0.05)	1.02 (0.03)	1.04 (0.02)	1.04 (0.00)
Italy	1.02 (0.03)	0.98 (–0.03)	0.97 (–0.02)	1.00 (0.03)	0.97 (–0.03)
Latvia	1.91 (0.18)	1.91 (0.01)	1.94 (0.02)	1.95 (0.01)	1.97 (0.02)
Lithuania	3.20 (0.03)	3.10 (–0.11)	3.00 (–0.10)	3.01 (0.01)	2.96 (–0.05)
Luxembourg	1.31 (–0.03)	1.35 (0.04)	1.29 (–0.06)	1.32 (0.03)	1.12 (–0.20)
Malta	2.33 (–0.10)	2.22 (–0.11)	2.08 (–0.13)	2.2 (0.12)	2.23 (0.03)
Netherlands	1.36 (0.00)	1.41 (0.05)	1.47 (0.06)	1.45 (–0.02)	1.34 (–0.11)
Poland	2.88 (0.03)	2.61 (–0.26)	2.57 (–0.05)	2.51 (–0.06)	2.44 (–0.07)
Portugal	2.14 (–0.16)	2.19 (0.05)	1.59 (–0.60)	1.65 (0.06)	1.78 (0.13)
Romania	3.81 (0.30)	3.68 (–0.13)	3.61 (–0.07)	3.37 (–0.24)	3.41 (0.04)
Slovakia	3.5 (–0.08)	3.10 (–0.40)	3.20 (0.11)	3.23 (0.03)	3.18 (–0.04)
Slovenia	2.35 (–0.01)	2.36 (0.01)	2.70 (0.34)	2.71 (0.01)	2.67 (–0.04)
Spain	0.93 (–0.06)	0.89 (–0.04)	0.96 (0.07)	1.00 (0.03)	1.03 (0.04)
Sweden	0.86 (0.00)	0.84 (–0.03)	0.82 (–0.02)	0.81 (–0.01)	0.80 (–0.01)
UK	–	–	–	–	–

Source: Eurostat [gov_10a_taxag].

Note: Taxes on products were used as a proxy for consumption tax, Taxes on income were used as a proxy for household income taxes where unavailable.

Table 27: Evolution of the governmental expenditure on education as percentage of GDP (absolute change compared to the previous year in brackets)

	2011	2012	2013	2014	2015
Austria	5.01% (–0.13%)	5.02% (0.02%)	5.04% (0.02%)	4.97% (–0.08%)	4.96% (–0.01%)
Belgium	6.16% (0.16%)	6.24% (0.08%)	6.39% (0.15%)	6.35% (–0.04%)	6.42% (0.07%)
Bulgaria	3.38% (–0.2%)	3.33% (–0.05%)	3.68% (0.34%)	4.08% (0.41%)	3.98% (–0.11%)
Croatia	4.92% (–0.21%)	4.88% (–0.04%)	5.09% (0.21%)	4.74% (–0.36%)	4.73% (0.00%)
Cyprus	6.51% (–0.21%)	6.09% (–0.42%)	6.5% (0.42%)	5.71% (–0.8%)	5.71% (0.01%)
Czech Rep.	5.06% (–0.01%)	5.03% (–0.03%)	5.11% (0.08%)	5.11% (0.00%)	4.93% (–0.18%)
Denmark	6.82% (–0.31%)	6.97% (0.15%)	6.88% (–0.09%)	7.14% (0.26%)	7.04% (–0.1%)
Estonia	6.23% (–0.4%)	6.29% (0.06%)	6.01% (–0.28%)	5.69% (–0.32%)	6.1% (0.41%)
Finland	6.46% (–0.12%)	6.44% (–0.02%)	6.4% (–0.04%)	6.39% (–0.01%)	6.25% (–0.14%)
France	5.48% (–0.16%)	5.49% (0.02%)	5.5% (0.00%)	5.51% (0.02%)	5.46% (–0.05%)
Germany	4.28% (–0.07%)	4.21% (–0.07%)	4.28% (0.07%)	4.24% (–0.04%)	4.2% (–0.04%)
Greece	4.44% (0.33%)	4.53% (0.09%)	4.57% (0.04%)	4.38% (–0.19%)	4.32% (–0.06%)
Hungary	5.09% (–0.45%)	4.7% (–0.39%)	4.6% (–0.1%)	5.08% (0.48%)	5.16% (0.08%)
Ireland	5.56% (0.55%)	5.31% (–0.25%)	4.99% (–0.32%)	4.83% (–0.16%)	3.66% (–1.17%)
Italy	4.08% (–0.29%)	4.05% (–0.03%)	4.09% (0.04%)	4.04% (–0.05%)	3.96% (–0.08%)
Latvia	5.87% (–0.34%)	5.74% (–0.13%)	5.74% (0.00%)	5.9% (0.16%)	6.02% (0.12%)
Lithuania	6.08% (–0.35%)	5.82% (–0.26%)	5.61% (–0.21%)	5.37% (–0.25%)	5.42% (0.05%)
Luxembourg	5.61% (–0.16%)	5.81% (0.20%)	5.37% (–0.44%)	5.29% (–0.09%)	5.21% (–0.08%)
Malta	5.72% (0.1%)	5.8% (0.07%)	5.77% (–0.03%)	5.57% (–0.19%)	5.49% (–0.08%)
Netherlands	5.53% (–0.11%)	5.53% (0.00%)	5.4% (–0.13%)	5.39% (–0.01%)	5.44% (0.05%)
Poland	5.42% (–0.12%)	5.37% (–0.05%)	5.27% (–0.1%)	5.26% (–0.01%)	5.21% (–0.05%)
Portugal	7.25% (–0.4%)	6.19% (–1.07%)	6.25% (0.06%)	6.1% (–0.15%)	5.98% (–0.12%)
Romania	4.08% (0.78%)	2.98% (–1.1%)	2.8% (–0.18%)	2.99% (0.2%)	3.07% (0.08%)
Slovakia	4.13% (–0.04%)	4.05% (–0.08%)	3.96% (–0.1%)	4.12% (0.16%)	4.23% (0.11%)

	2011	2012	2013	2014	2015
Slovenia	6.43% (−0.08%)	6.45% (0.02%)	6.55% (0.1%)	6.03% (−0.52%)	5.56% (−0.46%)
Spain	4.4% (−0.08%)	4.17% (−0.24%)	4.1% (−0.06%)	4.1% (0.00%)	4.09% (−0.01%)
Sweden	6.44% (−0.06%)	6.53% (0.09%)	6.57% (0.04%)	6.59% (0.02%)	6.53% (−0.06%)
UK	6.01% (−0.52%)	5.73% (−0.28%)	5.38% (−0.35%)	5.36% (−0.02%)	5.12% (−0.24%)

Source: Eurostat [gov_10a_exp].
Note: Education represented by COFOG code 09.

Table 28: Evolution of the governmental expenditure on environment protection as percentage of GDP (absolute change compared to the previous year in brackets)

	2011	2012	2013	2014	2015
Austria	0.49% (–0.09%)	0.51% (0.01%)	0.51% (0%)	0.47% (–0.03%)	0.45% (–0.02%)
Belgium	1.17% (0.17%)	1.19% (0.02%)	1.17% (–0.02%)	0.97% (–0.2%)	0.87% (–0.1%)
Bulgaria	0.69% (0.02%)	0.69% (0.00%)	0.91% (0.23%)	0.69% (–0.22%)	0.79% (0.1%)
Croatia	0.35% (–0.01%)	0.37% (0.02%)	0.42% (0.05%)	0.37% (–0.05%)	0.45% (0.08%)
Cyprus	0.31% (0.01%)	0.28% (–0.03%)	0.45% (0.17%)	0.26% (–0.19%)	0.36% (0.1%)
Czech Rep.	1.28% (0.29%)	1.32% (0.04%)	1.01% (–0.31%)	1.04% (0.03%)	1.1% (0.06%)
Denmark	0.38% (–0.03%)	0.4% (0.02%)	0.47% (0.07%)	0.46% (–0.01%)	0.45% (–0.02%)
Estonia	–0.28% (–0.12%)	0.83% (1.11%)	0.62% (–0.21%)	0.62% (0.00%)	0.69% (0.07%)
Finland	0.24% (–0.03%)	0.25% (0%)	0.26% (0.01%)	0.25% (0.00%)	0.24% (–0.01%)
France	0.99% (0%)	1.01% (0.02%)	1.02% (0.02%)	1.03% (0.00%)	1.01% (–0.02%)
Germany	0.58% (–0.02%)	0.6% (0.02%)	0.62% (0.02%)	0.61% (–0.01%)	0.61% (0.00%)
Greece	0.84% (0.07%)	1.11% (0.26%)	1.71% (0.6%)	1.48% (–0.23%)	1.48% (0.00%)
Hungary	0.72% (0.13%)	0.7% (–0.02%)	0.91% (0.22%)	1.17% (0.26%)	1.23% (0.06%)
Ireland	0.77% (–0.25%)	0.77% (0.00%)	0.61% (–0.16%)	0.55% (–0.06%)	0.4% (–0.15%)
Italy	0.88% (0.02%)	0.9% (0.02%)	0.97% (0.06%)	0.94% (–0.02%)	0.96% (0.02%)
Latvia	0.68% (0.39%)	0.73% (0.05%)	0.66% (–0.06%)	0.68% (0.01%)	0.69% (0.01%)
Lithuania	0.74% (–0.6%)	0.81% (0.07%)	0.47% (–0.34%)	0.56% (0.09%)	0.54% (–0.02%)
Luxembourg	1.1% (–0.06%)	1.14% (0.04%)	1.11% (–0.03%)	1.08% (–0.03%)	1.09% (0.01%)
Malta	1.28% (–0.66%)	1.41% (0.13%)	1.37% (–0.04%)	1.5% (0.13%)	2.02% (0.52%)
Netherlands	1.6% (–0.03%)	1.56% (–0.04%)	1.54% (–0.02%)	1.47% (–0.07%)	1.43% (–0.04%)
Poland	0.69% (–0.05%)	0.59% (–0.1%)	0.62% (0.04%)	0.62% (0%)	0.61% (–0.01%)
Portugal	0.52% (–0.11%)	0.43% (–0.09%)	0.46% (0.04%)	0.39% (–0.07%)	0.39% (0.00%)
Romania	0.93% (0.17%)	0.83% (–0.1%)	0.8% (–0.02%)	0.79% (–0.01%)	1.01% (0.21%)
Slovakia	0.78% (–0.12%)	0.83% (0.05%)	0.8% (–0.03%)	0.84% (0.04%)	1.03% (0.19%)
Slovenia	0.8% (0.13%)	0.76% (–0.03%)	0.76% (0%)	0.98% (0.22%)	1.01% (0.03%)
Spain	0.95% (–0.1%)	0.89% (–0.06%)	0.84% (–0.05%)	0.88% (0.04%)	0.86% (–0.01%)
Sweden	0.33% (0.00%)	0.34% (0.01%)	0.33% (–0.01%)	0.31% (–0.02%)	0.29% (–0.02%)
UK	0.89% (–0.09%)	0.83% (–0.06%)	0.78% (–0.06%)	0.81% (0.03%)	0.79% (–0.03%)

Source: Eurostat [gov_10a_exp].

Note: Environment protection COFOG code 05.

Table 29: Evolution of the governmental expenditure on research and innovation as percentage of GDP (absolute change compared to the previous year in brackets)

	2011	2012	2013	2014	2015
Austria	1.87% (–0.04%)	1.94% (0.06%)	1.89% (–0.05%)	1.92% (0.03%)	1.92% (0.00%)
Belgium	1.39% (–0.02%)	1.44% (0.05%)	1.51% (0.07%)	1.54% (0.03%)	1.6% (0.06%)
Bulgaria	0.26% (–0.04%)	0.24% (–0.02%)	0.24% (–0.01%)	0.3% (0.06%)	0.3% (0.01%)
Croatia	0.5% (0.04%)	0.59% (0.09%)	0.6% (0.01%)	0.58% (–0.01%)	0.66% (0.08%)
Cyprus	0.1% (0.00%)	0.1% (0.00%)	0.09% (–0.02%)	0.08% (–0.01%)	0.08% (0.00%)
Czech Rep.	1.14% (0.02%)	1.19% (0.06%)	1.31% (0.12%)	1.33% (0.02%)	1.31% (–0.02%)
Denmark	2.01% (0.04%)	2.07% (0.06%)	2.11% (0.04%)	2.18% (0.07%)	2.09% (–0.09%)
Estonia	1.25% (0.01%)	1.49% (0.24%)	1.46% (–0.03%)	1.43% (–0.03%)	1.35% (–0.08%)
Finland	1.82% (–0.07%)	1.84% (0.02%)	1.82% (–0.02%)	1.77% (–0.05%)	1.73% (–0.04%)
France	1.44% (–0.06%)	1.39% (–0.05%)	1.36% (–0.03%)	1.33% (–0.03%)	1.3% (–0.03%)
Germany	1.32% (0.00%)	1.37% (0.05%)	1.39% (0.02%)	1.36% (–0.03%)	1.35% (–0.01%)
Greece	0.61% (0.06%)	0.63% (0.02%)	0.73% (0.1%)	0.75% (0.02%)	0.79% (0.03%)
Hungary	0.69% (0.04%)	0.65% (–0.04%)	0.72% (0.08%)	0.67% (–0.05%)	0.78% (0.1%)
Ireland	0.59% (–0.02%)	0.44% (–0.15%)	0.4% (–0.04%)	0.41% (0.01%)	0.35% (–0.06%)
Italy	0.67% (–0.07%)	0.68% (0.01%)	0.69% (0.01%)	0.65% (–0.04%)	0.65% (0.00%)
Latvia	0.52% (–0.06%)	0.46% (–0.05%)	0.38% (–0.08%)	0.39% (0.01%)	0.49% (0.1%)
Lithuania	0.51% (–0.1%)	0.45% (–0.06%)	0.43% (–0.02%)	0.54% (0.12%)	0.56% (0.01%)
Luxembourg	0.93% (0%)	0.94% (0.02%)	0.95% (0.01%)	0.91% (–0.04%)	0.92% (0.01%)
Malta	0.45% (0.02%)	0.59% (0.13%)	0.6% (0.01%)	0.56% (–0.04%)	0.57% (0.01%)
Netherlands	1.52% (0.01%)	1.46% (–0.06%)	1.49% (0.03%)	1.51% (0.02%)	1.49% (–0.02%)
Poland	0.68% (–0.02%)	0.68% (0.01%)	0.66% (–0.02%)	0.67% (0.01%)	0.65% (–0.02%)
Portugal	1.33% (–0.01%)	0.85% (–0.48%)	0.87% (0.02%)	0.85% (–0.02%)	0.9% (0.05%)
Romania	0.35% (0.04%)	0.3% (–0.06%)	0.39% (0.09%)	0.35% (–0.03%)	0.52% (0.16%)
Slovakia	0.58% (0.01%)	0.54% (–0.04%)	0.56% (0.02%)	0.59% (0.04%)	0.96% (0.37%)

Slovenia	1.27% (0.1%)	1.18% (−0.09%)	1.16% (−0.02%)	1.08% (−0.08%)	1.09% (0.00%)
Spain	1.39% (−0.03%)	1.35% (−0.04%)	1.31% (−0.05%)	1.27% (−0.03%)	–
Sweden	1.86% (−0.01%)	1.92% (0.06%)	1.93% (0.00%)	1.99% (0.06%)	1.88% (−0.11%)
UK	0.72% (−0.12%)	0.72% (0.00%)	0.72% (0.00%)	0.76% (0.04%)	0.85% (0.09%)

Source: Eurostat [gov_10a_exp].
Note: Research and innovation COFOG codes 104, 105, 204, 305, 408, 505, 605, 705, 805, 907, and 1008.

Table 30: Evolution of the governmental expenditure on social exclusion as percentage of GDP (absolute change compared to the previous year in brackets)

	2011	2012	2013	2014	2015
Austria	0.79% (0.00%)	0.84% (0.05%)	0.88% (0.04%)	0.93% (0.05%)	1.02% (0.08%)
Belgium	1.06% (0.07%)	1.10% (0.03%)	1.04% (–0.06%)	1.02% (–0.02%)	1.01% (–0.01%)
Bulgaria	0.01% (0.00%)	0.01% (0.00%)	0.05% (0.04%)	0.07% (0.01%)	0.07% (0.00%)
Croatia	0.35% (0.03%)	0.27% (–0.08%)	0.23% (–0.03%)	0.30% (0.07%)	0.15% (–0.15%)
Cyprus	2.03% (0.05%)	1.90% (–0.13%)	1.80% (–0.1%)	0.87% (–0.93%)	0.88% (0.01%)
Czech Rep.	0.43% (0.02%)	0.49% (0.06%)	0.50% (0.01%)	0.49% (–0.01%)	0.44% (–0.05%)
Denmark	1.67% (–0.05%)	1.76% (0.09%)	1.82% (0.06%)	1.81% (0.00%)	1.99% (0.17%)
Estonia	0.16% (–0.01%)	0.15% (–0.01%)	0.12% (–0.02%)	0.13% (0.01%)	0.13% (0.00%)
Finland	0.77% (–0.02%)	0.82% (0.05%)	0.85% (0.03%)	0.88% (0.02%)	0.92% (0.05%)
France	0.99% (–0.02%)	0.98% (–0.01%)	0.96% (–0.02%)	1.02% (0.05%)	1.02% (0.01%)
Germany	0.32% (0.01%)	0.33% (0.02%)	0.36% (0.02%)	0.37% (0.01%)	0.42% (0.05%)
Greece	0.08% (0.04%)	0.04% (–0.04%)	0.02% (–0.02%)	0.02% (0.00%)	0.03% (0.00%)
Hungary	0.71% (–0.05%)	0.63% (–0.08%)	0.63% (0.00%)	0.58% (–0.05%)	0.78% (0.20%)
Ireland	0.11% (–0.61%)	0.12% (0.01%)	0.11% (–0.02%)	0.09% (–0.02%)	0.07% (–0.01%)
Italy	0.24% (0.00%)	0.23% (–0.01%)	0.24% (0.01%)	0.26% (0.03%)	0.27% (0.00%)
Latvia	0.50% (0.00%)	0.41% (–0.09%)	0.4% (–0.01%)	0.37% (–0.04%)	0.40% (0.03%)
Lithuania	0.76% (0.06%)	0.72% (–0.03%)	0.71% (–0.02%)	0.60% (–0.11%)	0.47% (–0.13%)
Luxembourg	0.77% (–0.02%)	0.77% (0.00%)	0.76% (–0.01%)	0.74% (–0.02%)	0.69% (–0.05%)
Malta	0.35% (–0.01%)	0.39% (0.04%)	0.32% (–0.07%)	0.35% (0.03%)	0.32% (–0.02%)
Netherlands	1.89% (0.06%)	1.94% (0.05%)	2.03% (0.09%)	1.96% (–0.07%)	1.88% (–0.08%)
Poland	0.28% (–0.03%)	0.29% (0.01%)	0.29% (0.00%)	0.28% (–0.01%)	0.25% (–0.03%)
Portugal	0.31% (–0.04%)	0.3% (–0.01%)	0.25% (–0.05%)	0.23% (–0.02%)	0.21% (–0.02%)
Romania	0.24% (–0.07%)	0.21% (–0.02%)	0.2% (–0.01%)	0.20% (0.00%)	0.16% (–0.04%)
Slovakia	0.5% (–0.04%)	0.49% (0.00%)	0.48% (–0.01%)	0.47% (–0.02%)	0.48% (0.01%)

	2011	2012	2013	2014	2015
Slovenia	0.74% (0.03%)	0.83% (0.09%)	0.79% (–0.04%)	0.84% (0.05%)	0.85% (0.01%)
Spain	0.25% (0.00%)	0.23% (–0.01%)	0.26% (0.03%)	0.27% (0.01%)	–
Sweden	0.92% (–0.01%)	0.95% (0.03%)	1.01% (0.05%)	1.07% (0.07%)	1.27% (0.20%)
UK	1.69% (0.03%)	1.73% (0.04%)	1.7% (–0.03%)	1.61% (–0.09%)	1.63% (0.01%)

Source: Eurostat [gov_10a_exp].

Note: Social exclusion represented by COFOG code 1008.

Table 31: Detailed comparison of member state and COM assessments of CSR implementation

COMPARISON	AT	BE	CZ	FR	DE	IE	IT	LV	PL	ES	SE	UK	TOTAL
Assessments broadly similar	2	3	3	5	2	5	6	5	4	6	3	2	46
COM more positive		1		2						1			4
MS more positive	3	6	7	6	5	2	5	5	3	2	1	3	48
Total	5	10	10	13	7	7	11	10	7	9	4	5	98

Table 32: Sources, values and absolute changes of AGS indicator data from national sources

COUNTRY	INDICATOR	YEAR	SOURCE	VALUE (ABSOLUTE CHANGE)
Austria	Government Expenditure on Education	2015		2.03% (–0.07%)
		2016		1.97% (–0.06%)
		2017		–
	Government Expenditure on Environmental Protection	2015	Budget report (2014, 2015, 2016, 2017)	0.19% (–0.00%)
		2016		0.18% (0.01%)
		2017		0.17% (–0,01%)
	Government Expenditure on Infrastructure	2015		0.99% (0.02%)
		2016		1.10% (0.11%)
		2017		1.05% (–0.05%)
	Government Expenditure on Research and Innovation	2015	Budget report (2014, 2015, 2016, 2017)	1.37% (–0.03%)
		2016		1.38% (0.01%)
		2017		1.35% (–0.02%)
	Government Expenditure on Social Inclusion	2015	Budget report (2014, 2015, 2016, 2017)	–
		2016		–
		2017		–
	Government Expenditure on Labour Promotion	2015	Budget report (2014, 2015, 2016, 2017)	2.10% (–0.02%)
		2016		2.32% (0.21%)
		2017		2.39% (0.07%)
	Consumption – Income Tax Ratio	2015	Budget report (2014, 2015, 2016, 2017)	0.85 (–0.01)
		2016		0.97 (0.12)
		2017		0.97 (–0.004)
Belgium	Government	2015	Initial General Budget of	0.03% (–0.00%)

COUNTRY	INDICATOR	YEAR	SOURCE	VALUE (ABSOLUTE CHANGE)
	Expenditure in Education	2016	Expenditures (2014, 2015 and 2016)	0.03% (–0.00%)
		2017	–	–
	Government Expenditure on Environmental Protection	2015	Initial General Budget of Expenditures (2014, 2015 and 2016)	0.07% (–0.68%)
		2016		0.06% (–0.00%)
		2017	General Budget of Expenditures Project 2017	0.07% (0.00%)
	Government Expenditure on Infrastructure	2015	–	–
		2016	–	–
		2017	–	–
	Government Expenditure on Research and Innovation	2015	Initial General Budget of Expenditures (2014, 2015 and 2016)	0.11% (–0.01%)
		2016		0.11% (–0.00%)
		2017	–	–
	Government Expenditure on Social Inclusion	2015	Initial General Budget of Expenditures (2014, 2015 and 2016)	0.33% (–0.07%)
		2016		0.26% (–0.06%)
		2017	General Budget of Expenditures Project 2017	0.29% (0.03%)
	Government Expenditure on Labour Promotion	2015	Initial General Budget of Expenditures (2014, 2015 and 2016)	0.02% (–0.13%)
		2016		0.02% (0.00%)
		2017	General Budget of Expenditures Project 2017	0.06% (0.03%)
	Consumption – Income Tax Ratio	2015	–	–
		2016	–	–
		2017	–	–
Czech Rep.	Government Expenditure on Education	2015	Ministry of education, youth and sports budget	2.98% (–0.20%)
		2016		3.02% (0.03%)
		2017		3.24% (0.22%)
	Government Expenditure on Environmental Protection	2015	Ministry of environment budget	0.21% (–0.09%)
		2016		0.20% (–0.01%)
		2017		0.35% (0.15%)
	Government Expenditure on Infrastructure	2015	Investment into transport infrastructure	0.55% (–0.20%)
		2016		0.75% (0.20%)
		2017		0.85% (0.10%)
	Government Expenditure on Research and Innovation	2015	R&D expenditure of all ministries	0.53% (–0.03%)
		2016		0.52% (–0.01%)
		2017		0.57% (0.05%)
	Government Expenditure on Social Inclusion	2015	–	–
		2016	–	–
		2017	–	–
	Government Expenditure on Labour Promotion	2015	Direct employment promotion and promotion of employment of disabled individuals	0.23% (0.04%)
		2016		0.30% (0.07%)
		2017		0.18% (–0.12%)
	Consumption – Income Tax Ratio	2015	–	–
		2016	–	–
		2017	–	–

COUNTRY	INDICATOR	YEAR	SOURCE	VALUE (ABSOLUTE CHANGE)
France	Government Expenditure on Education	2015	2017 – Finance Law Project	3.04% (0.01%)
		2016	Other years – Initial Finance Law	3.01% (–0.03%)
		2017		2.22% (–0.79%)
	Government Expenditure on Environmental Protection	2015	2017 – Finance Law Project	0.33% (–0.12%)
		2016	Other years – Initial Finance Law	0.41% (0.08%)
		2017		0.40% (–0.01%)
	Government Expenditure on Infrastructure	2015	–	–
		2016	–	–
		2017	–	–
	Government Expenditure on Research and Innovation	2015	2017 – Finance Law Project	1.19% (–0.28%)
		2016	Other years – Initial Finance Law	1.18% (–0.01%)
		2017		1.19% (0.01%)
	Government Expenditure on Social Inclusion	2015	2017 – Finance Law Project	0.72% (0.07%)
		2016	Other years – Initial Finance Law	0.82% (0.10%)
		2017		0.78% (–0.04%)
	Government Expenditure on Labour Promotion	2015	2017 – Finance Law Project	0.52% (0.00%)
		2016	Other years – Initial Finance Law	0.53% (0.00%)
		2017		0.68% (0.15%)
	Consumption – Income Tax Ratio	2015	2017 – Finance Law Project	1.52 (0.18)
		2016	Other years – Initial Finance Law	1.53 (0.001)
		2017		1.46 (–0.06)
Germany	Government Expenditure on Education	2015	https://www.bundeshaushalt–info.de	0.28% (0.02%)
		2016		0.29% (0.01%)
		2017		0.31% (0.02%)
	Government Expenditure on Environmental Protection	2015	Federal Budget Data Table (2014, 2015, 2016 and 2017)	0.02% (–0.00%)
		2016		0.03% (0.00%)
		2017		0.03% (0,00%)
	Government Expenditure on Infrastructure	2015	https://www.bundeshaushalt–info.de	0.70% (–0.01%)
		2016		2.16% (1.46%)
		2017		0.85% (–1.32%)
	Government Expenditure on Research and Innovation	2015	https://www.bundeshaushalt–info.de	0.37% (–0.01%)
		2016		0.37% (0.01%)
		2017		0.40% (0.03%)
	Government Expenditure on Social Inclusion	2015	Federal Budget Data Table (2014, 2015, 2016 and 2017)	4.19% (–0.03%)
		2016		4.19% (0.01%)
		2017		0.19% (0.01%)
	Government Expenditure on Labour Promotion	2015	Federal Budget Data Table (2014, 2015, 2016 and 2017)	0.003% (0.00%)
		2016		0.002% (–0.00%)
		2017		0.003% (0.00%)
	Consumption – Income Tax Ratio	2015	https://www.bundeshaushalt–info.de	1.11 (–0.03)
		2016		1.09 (–0.02)
		2017		1.08 (–0.01)

COUNTRY	INDICATOR	YEAR	SOURCE	VALUE (ABSOLUTE CHANGE)
Ireland	Government Expenditure on Education	2015	Expenditure Reports (2014, 2015, 2016 and 2017) from the Department of Finance and the Department of Public Expenditure and Reforms	3.24% (–1.30%)
		2016		3.19% (–0.04%)
		2017		3.45% (0.26%)
	Government Expenditure on Environmental Protection	2015	–	–
		2016	Expenditure Reports (2015, 2016 and 2017) from the Department of Finance and the Department of Public Expenditure and Reforms	0.01% (–0.00%)
		2017		0.02% (0.01%)
	Government Expenditure on Infrastructure	2015	–	–
		2016	–	–
		2017	–	–
	Government Expenditure on Research and Innovation	2015	–	–
		2016	Expenditure Reports (2015, 2016 and 2017) from the Department of Finance and the Department of Public Expenditure and Reforms	0.01% (–0.13%)
		2017		0.13% (0.12%)
	Government Expenditure on Social Inclusion	2015	Expenditure Reports (2014, 2015, 2016 and 2017) from the Department of Finance and the Department of Public Expenditure and Reforms	7.59% (–2.59%)
		2016		7.36% (–0.23%)
		2017		7.20% (–0.16%)
	Government Expenditure on Labour Promotion	2015		–
		2016	Expenditure Reports (2015, 2016 and 2017) from the Department of Finance and the Department of Public Expenditure and Reforms	0.07% (–0.07%)
		2017		0.15% (0.08%)
	Consumption – Income Tax Ratio	2015	–	–
		2016	–	–
		2017	–	–
Italy	Government Expenditure on Education	2015	ISTAT	3.48% (–0.10%)
		2016	–	–
		2017	–	–
	Government Expenditure on Environmental Protection	2015	Economic Reports 2014 and 2015, Budget Project 2016 and 2017	0.04% (0.00%)
		2016		0.05% (0.02%)
		2017		0.04% (–0.01%)
	Government Expenditure on Infrastructure	2015	Economic Reports 2014 and 2015, Budget Project 2016 and 2017	0.13% (–0.00%)
		2016		0.16% (0.03%)
		2017		0.16% (0.00%)
	Government Expenditure on Research and Innovation	2015	Economic Reports 2014 and 2015, Budget Project 2016 and 2017	0.78% (0.00%)
		2016		–
		2017		–
	Government Expenditure on Social Inclusion	2015	Economic Reports 2014 and 2015, Budget Project 2016 and 2017	2.02% (0.00%)
		2016		2.11% (0.09%)
		2017		2.14% (0.03%)
	Government Expenditure on Labour	2015	Economic Reports 2014 and 2015, Budget Project 2016 and 2017	0.46% (0.00%)
		2016		0.61% (0.15%)
		2017		0.59% (–0.02%)

COUNTRY	INDICATOR	YEAR	SOURCE	VALUE (ABSOLUTE CHANGE)
	Promotion			
	Consumption – Income Tax Ratio	2015	–	–
		2016	–	–
		2017	–	–
Latvia	Government Expenditure on Education	2015	Law on state budget for the year 2014, 2015, 2016, 2017	1.84% (0.42%)
		2016		1.30% (–0.54%)
		2017		1.21% (–0.09%)
	Government Expenditure on Environmental Protection	2015	Law on state budget for the year 2014, 2015, 2016, 2017	0.84% (–0.18%)
		2016		0.30% (–0.54%)
		2017		0.25% (–0.05%)
	Government Expenditure on Infrastructure	2015	Law on state budget for the year 2014, 2015, 2016, 2017	2.25% (0.05%)
		2016		1.46% (–0.78%)
		2017		1.42% (–0.04%)
	Government Expenditure on Research and Innovation	2015	Law on state budget for the year 2014, 2015, 2016, 2017	0.17% (0.04%)
		2016		0.19% (0.03%)
		2017		0.19% (–0.00%)
	Government Expenditure on Social Inclusion	2015	Law on state budget for the year 2014, 2015, 2016, 2017	2.37% (0.08%)
		2016		2.34% (–0.03%)
		2017		2.33% (–0.01%)
	Government Expenditure on Labour Promotion	2015	–	–
		2016	–	–
		2017	–	–
	Consumption – Income Tax Ratio	2015	Law on state budget for the year 2014, 2015, 2016, 2017	10.18 (0.27)
		2016		9.92 (–0.26)
		2017		9.92 (0.00)
Poland	Government Expenditure on Education	2015	Annex 2 to the national budget 2014, 2015, 2016 and 2017	0.90% (0.02%)
		2016		0.93% (0.03%)
		2017		0.90% (–0.02%)
	Government Expenditure on Environmental Protection	2015	Annex 2 to the national budget 2014, 2015, 2016 and 2017	0.02% (0.00%)
		2016		0.02% (0.00%)
		2017		0.02% (–0.00%)
	Government Expenditure on Infrastructure	2015	Annex 2 to the national budget 2014, 2015, 2016 and 2017	0.47% (0.04%)
		2016		0.52% (0.05%)
		2017		0.61% (0.09%)
	Government Expenditure on Research and Innovation	2015	Annex 2 to the national budget 2014, 2015, 2016 and 2017	0.29% (0.01%)
		2016		0.30% (0.01%)
		2017		0.30% (0.00%)
	Government Expenditure on Social Inclusion	2015	Annex 2 to the national budget 2014, 2015, 2016 and 2017	0.89% (–0.04%)
		2016		1.75% (0.86%)
		2017		0.39% (–1.37%)
	Government Expenditure on Labour	2015	–	–
		2016	–	–
		2017	–	–

COUNTRY	INDICATOR	YEAR	SOURCE	VALUE (ABSOLUTE CHANGE)
	Promotion			
	Consumption – Income Tax Ratio	2015	Annex 1 to the national budget 2014, 2015, 2016 and 2017	1.95 (0.23)
		2016		1.76 (–0.19)
		2017		1.78 (0.01)
Spain	Government Expenditure on Education	2015	Economical and Financial Report (2014, 2015 and 2016)	0.21% (0.00%)
		2016		0.22% (0.01%)
		2017		
	Government Expenditure in Environmental Protection	2015	Economical and Financial Report (2015 and 2016)	0.17% (–)
		2016		0.17% (–0.00%)
		2017	–	–
	Government Expenditure on Infrastructure	2015	Economical and Financial Report (2014, 2015 and 2016)	0.57% (0.05%)
		2016		0.54% (–0.03%)
		2017	–	–
	Government Expenditure on Research and Innovation	2015	Economical and Financial Report (2014, 2015 and 2016)	0.59% (0.05%)
		2016		0.52% (–0.07%)
		2017	–	–
	Government Expenditure on Social Inclusion	2015	Economical and Financial Report (2014, 2015 and 2016)	0.18% (0.01%)
		2016		0.21% (0.03%)
		2017	–	–
	Government Expenditure on Labour Promotion	2015	Economical and Financial Report (2014, 2015 and 2016)	0.44% (0.05%)
		2016		0.47% (0.03%)
		2017	–	–
	Consumption – Income Tax Ratio	2015	–	–
		2016	–	–
		2017	–	–
Sweden	Government Expenditure on Education and Research and Innovation	2015	Government of Sweden Budget Bill (2014, 2015, 2016, 2017)	2.04% (–0.02%)
		2016		2.08% (0.04%)
		2017		2.07% (–0.01%)
	Government Expenditure on Environmental Protection	2015	Government of Sweden Budget Bill (2014, 2015, 2016, 2017)	0.16% (0.03%)
		2016		0.17% (0.01%)
		2017		0.18% (0,01%)
	Government Expenditure on Infrastructure	2015	Government of Sweden Budget Bill (2014, 2015, 2016, 2017)	1.30% (–0.06%)
		2016		1.47% (0.17%)
		2017		1.43% (–0.04%)
	Government Expenditure on Social Inclusion	2015	Government of Sweden Budget Bill (2014, 2015, 2016, 2017)	5.34% (–0.18%)
		2016		5.33% (–0.01%)
		2017		5.05% (–0.28%)
	Government Expenditure on Labour Promotion	2015	Government of Sweden Budget Bill (2014, 2015, 2016, 2017)	2.12% (0.02%)
		2016		2.30% (0.18%)
		2017		2.36% (0.06%)
	Consumption –	2015	The Swedish National Financial	0.48 (0.001)

COUNTRY	INDICATOR	YEAR	SOURCE	VALUE (ABSOLUTE CHANGE)
	Income Tax Ratio	2016	Management Authority, State Budget Time series 2015, ESV 2016:41 and Government of Sweden Budget Bill 2017	0.46 (–0.01)
		2017		0.45 (–0.01)
UK	Government Expenditure on Education	2015	Central Government Expenditure according to PESA 2016	2.12% (0.06%)
		2016		1.93% (–0.19%)
		2017		1.92% (–0.01%)
	Government Expenditure on Environmental Protection	2015	Central Government Expenditure according to PESA 2016	0.29% (0.02%)
		2016		0.27% (–0.02%)
		2017		0.24% (–0.02%)
	Government Expenditure on Infrastructure	2015	–	–
		2016	–	–
		2017	–	–
	Government Expenditure on Research and Innovation	2015	Central Government Expenditure according to PESA 2016	0.59% (0.03%)
		2016		0.58% (–0.01%)
		2017		0.60% (0.02%)
	Government Expenditure on Social Inclusion	2015	Central Government Expenditure according to PESA 2016	1.68% (–0.04%)
		2016		1.60% (–0.08%)
		2017		1.59% (–0.01%)
	Government Expenditure on Labour Promotion	2015	Central Government Expenditure according to PESA 2016	0.30% (–0.05%)
		2016		0.28% (–0.02%)
		2017		0.29% (0.01%)
	Consumption – Income Tax Ratio	2015	–	–
		2016	–	–
		2017	–	–

Table 33: Overall variation (between 2014 and 2017) of data pertaining to AGS priorities from national sources

	Consumption /Income taxes Ratio	Education Expenditures as % of GDP	Infrastructure Expenditures as % of GDP	Research and Innovation Expenditures as % of GDP	Labour Promotion Expenditures as % of GDP	Social Inclusion Expenditures as % of GDP	Environment Protection Expenditures as % of GDP
Austria	11.74%	-5.89%	9.24%	-2.76%	12.26%	NA	-13.05%
Belgium	NA	-4.74%	NA	-11.34%	-62.01%	-26.57%	-50.07%
Czech Republic	-9.01%	1.89%	13.33%	1.79%	-5.26%	NA	16.67%
France	8.53%	-26.85%	NA	-18.97%	30.56%	20.90%	-12.46%
Germany	-5.44%	16.79%	20.00%	10.56%	1.36%	4.40%	6.54%
Ireland	NA	-23.82%	NA	-7.01%	11.21%	-29.26%	49.21%
Italy	NA	NA	20.74%	NA	28.31%	5.77%	33.11%
Latvia	0.09%	-14.23%	-35.39%	47.52%	NA	1.59%	-75.17%
Poland	2.73%	2.71%	42.78%	5.73%	NA	-58.49%	0.42%
Spain	NA	4.39%	-11.10%	3.60%	21.39%	19.63%	NA
Sweden	-5.39%	0.45%	5.06%	0.45%	12.38%	-8.46%	40.06%
United Kingdom	NA	-7.01%	64.85%	7.13%	-18.05%	-7.70%	-10.65%

Table 34: Country narratives of budget variation related to AGS priorities

Austria	
	Changes in the Austrian budget across all three years were inconsistent in all areas, with the exception of environmental protection, which saw a consistent decrease. In 2016, there was a significant increase in the government's investment in labour promotion and infrastructure, as well as a decrease in the tax burden on income compared to consumption taxes, in line with the AGS. In 2015 and 2017, budgets generally decreased, with the exception of spending on infrastructure in 2015 and on labour promotion in 2017. Overall, between 2014 and 2017, only spending on labour promotion and infrastructure increased as did the consumption to income tax ratio.
Belgium	
	Expenditures of interest mainly decreased across years. The budget for social inclusion showed an increase in 2017, as did the budget for labour promotion in 2016 and 2017. However, all available budgets decreased overall between 2014 and 2017.
Czech Republic	
	Overall, there were large increases in funds allocated to education and research innovation in 2017, and in transport infrastructure in 2016 and 2017. From 2014 to 2017, the Czech Republic increased its budget in all categories except for labour promotion. However, the consumption/income tax ratio decreased between 2014 and 2016.
France	
	Overall, spending increased between 2014 and 2017 on labour promotion and social inclusion, but decreased for all other analysed categories. In 2016, the shares of the French budget devoted to social inclusion and the environment increased, and in 2017 the budget dedicated relatively more resources to labour promotion. Education spending saw a notable decrease in 2017. The tax ratio increased between 2014 and 2017, despite a decrease in 2017.
Germany	
	Germany increased its budget in every category between 2014 and 2017, including increases in almost every year. However, the ratio of consumption taxes to income taxes decreased consistently every year, leading to an overall decrease compared to 2014 levels.
Ireland	
	Ireland's data contains a lot of missing values as well as some extreme values; any analysis might thus be misleading. Ireland has been consistently decreasing its budget for social inclusion since 2015.
Italy	
	Data is sufficient for only four categories, which all show overall increases. In 2016, Italy increased its budget in all four categories, but in 2017 the budgets for labour promotion and environment protection decreased.
Latvia	

	In 2015, the Latvian government increased its budget in all areas except for environment. The ratio between the government revenue from consumption taxes and from income taxes also increased. However, in 2016 and 2017 the budgets were decreased in all areas except for research and innovation.
Poland	
	Poland consistently increased its budget for infrastructure and research and innovation from 2014 onwards. Extreme variations in the budget of social inclusion can be observed, which can be attributed to the restructuring of the relevant ministry. In the other areas, year-on-year changes do not follow a consistent pattern over time but overall budgets increased since 2014.
Spain	
	The Spanish government has consistently increased its budget for labour promotion and social inclusion since 2015. Of all monitored categories between 2014 and 2017, only the budget for research and innovation did not grow. However, data for the environment protection budget and on tax revenue distribution are missing.
Sweden	
	The Swedish budget for social inclusion has consistently decreased since 2014, while the budget for labour promotion and the budget for environment have increased every year. All other budgets increased in 2016 and decreased in 2017. Overall since 2014, only the budget for social inclusion decreased. The Swedish ratio of consumption to income taxes has decreased since 2015.
United Kingdom	
	The United Kingdom has consistently lowered its budget for social inclusion and increased its budget for infrastructure since 2014. Overall, between 2014 and 2017, all budgets with the exception of infrastructure and research and development decreased.
Overall conclusion per area of interest	
	Taking together the 12 countries, between 2014 and 2017 the budget for infrastructure increased most substantially (only LV decreased its budget overall), followed by the budget for labour promotion (BE and UK substantially decreased their budgets in this area, though). The budget for social inclusion decreased the most on average, followed by the budget for education.

Table 35: Mapping of the Country-Specific Recommendations with available indicators

Country	Year	Recommendation	Indicator
Austria			
	2014	Reinforce measures to improve labour market prospects of people with a migrant background, women and older workers. This includes further improving childcare and long-term care services and the recognition of migrants' qualifications.	Childcare
	2015	Strengthen measures to increase the labour market participation of older workers and women, including by improving the provision of childcare and long-term care services.	
	2016	Improve the labour market participation of women.	
Belgium			
	2014	Prepare a comprehensive tax reform that will allow shifting taxes away from labour towards more growth friendly bases, simplifying the tax system, closing loopholes, increasing VAT efficiency.	Tax revenue from labour taxes, tax revenue from VAT
	2015	Adopt and implement a comprehensive tax reform broadening the tax base, shifting the tax burden away from labour.	
	2014	Increase labour market participation, in particular by reducing financial disincentives to work, increasing labour market access for disadvantaged groups.	Gender Equality in the workplace
	2015	Improve the functioning of the labour market by reducing financial disincentives to work, increasing labour market access for specific target groups.	
Czech Republic			
	2014	Improve tax compliance with a particular focus on VAT.	Tax revenue from VAT
	2014	Reduce the costs of collecting and paying taxes.	Cost of tax collection (tax bureau budget)
	2014	Promote the employability of older workers.	Employability of old workers
	2015	Take measures to increase participation among disadvantaged children, including Roma.	Assistance to Roma
France			
	2014	Take steps to significantly reduce the increase in social security spending as from 2015 as planned and to cap the annual increase in local government tax revenue.	General regime of the social security in terms of sickness
	2014	Cap the annual increase in local government tax revenue.	Local government tax revenue transfer

Country	Year	Recommendation	Indicator
	2014	Reduce the tax burden on labour and step up efforts to simplify and increase the efficiency of the tax system.	Healthcare
Ireland			
	2016	Prioritise government capital expenditure in R&D and in public infrastructure, in particular transport, water services and housing.	Transport, water services and housing infrastructure
Italy			
	2014	Preserve growth-enhancing spending like R&D, innovation, education and essential infrastructure projects.	Innovation, Infrastructure
	2014	Increase the use of work-based learning in upper secondary vocational education and training and strengthen vocationally-oriented tertiary education.	Secondary and vocationally-oriented tertiary education
	2015	As part of efforts to tackle youth unemployment, adopt and implement the planned school reform and expand vocationally-oriented tertiary education.	
	2014	Ensure that public funding better rewards the quality of higher education and research.	Higher education and research
	2015	Help promote intermodal transport through better connections.	Transport and Infrastructures
Latvia			
	2014	A shift towards more growth-friendly property and environmental taxes.	Tax revenue from environmental taxes
	2016	Reduce the tax wedge for low-income earners by exploiting a growth-friendly tax shift towards environmental and property taxes.	
	2014	Improve the quality of vocational education and training, including by strengthening apprenticeship.	Vocational training
	2015	Improve vocational education and training.	
	2016	Speed up the curricula reform in vocational education.	
	2014	Accelerate the development of gas and electricity interconnections to neighbouring member states to diversify energy sources and promote competition through improved integration of the Baltic energy markets.	Energy policy implementation
Poland			
	2015	Broaden the tax base, in particular by limiting the use of the extensive system of reduced VAT rates.	Tax revenue form VAT
Spain			
	2014	Effectively implement the new educational schemes to increase the quality of primary and secondary education.	Primary and secondary education

Country	Year	Recommendation	Indicator
	2014	Improve the targeting of family support schemes and quality services favouring low -inco children, to ensure the progressivity and effectiveness of social transfers.	Family support and childcare, Low-income household support, Long-term care
	2016	Address gaps and disparities in minimum income schemes and improve family support schemes, including access to quality childcare and long-term care.	
Sweden			
	2014	Reduce the effects of the debt bias in personal income taxation by gradually limiting tax deductibility of interest payments on mortgages and/or by increasing recurrent property taxes.	Tax revenue from taxes on property
	2015	Address the rise in household debt by adjusting fiscal incentives, in particular by gradually limiting the tax deductibility of mortgage interest payments or by increasing recurrent property taxes.	
	2016	Address the rise in household debt by adjusting fiscal incentives, in particular by gradually limiting the tax deductibility of mortgage interest payments or by increasing recurrent property taxes.	
United Kingdom			
	2014	Continue efforts to reduce child poverty in low -incor households, by ensuring that the Universal Credit and other welfare reforms deliver adequate benefits with clear work incentives and support services. Improve the availability of affordable quality childcare.	Low-income family support, Childcare
	2015	Further improve the availability of affordable, high-quality, full-time childcare.	
	2016	Further improve the availability of affordable, high-quality, full-time childcare.	
	2016	Address shortfalls in network infrastructure investment.	Network infrastructure

Table 36: Sources, values and absolute changes of CSR indicator data from national sources

Country	Indicator	Year	Source	Value (absolute change)
Austria	Childcare	2015	Budget report (2014, 2015, 2016, 2017)	0.33% (–0.01%)
		2016		0.33% (–0.00%)
		2017		0.32% (–0.00%)
Belgium	Tax Revenue from Labour Taxes	2015	Revenues and Expenditures Budget for the financial years 2014,2015, 2016 and 2017	0.01% (0.00%)
		2016		0.01% (–0.00%)
		2017		0.01% (–0.00%)
	Tax Revenue from VAT	2015	Revenues and Expenditures Budget for the financial years 2014,2015, 2016 and 2017	7.59% (0.03%)
		2016		7.63% (0.04%)
		2017		7.87% (0.24%)
	Gender Equality in the Workplace	2015	Initial General Budget of Expenditures 2014, 2015, 2016 and 2017	0.00% (0.00%)
		2016		0.00% (0.00%)
		2017		0.00% (0.00%)
Czech Republic	Tax Revenue from VAT	2015	Czech National Bank	5.20% (–0.14%)
		2016		5.21% (0.01%)
		2017		–
	Cost of Tax Collection	2015	Ministry of Finance	0.20% (0.01%)
		2016		0.22% (0.02%)
		2017		0.23% (0.01%)
	Employability of Old Workers	2015	Ministry of Finance	0.15% (0.04%)
		2016		0.20% (0.06%)
		2017		0.08% (–0.12%)
	Assistance to Roma	2015	Ministry of Finance	0.00% (–0.00%)
		2016		0.00% (–0.00%)
		2017		0.00% (–0.00%)
France	General Regime of the Social Security in terms of sickness	2015	Financial Law of the Social Security 2014, 2015 and 2016	0.32% (0.03%)
		2016		0.28% (–0.04%)
		2017	Financial Law Project of the Social Security 2017	0.26% (–0.02%)
	Healthcare	2015	2017 – Finance Law Project 2014, 2015, 2016 – Initial Finance Law	0.06% (–0.01%)
		2016		0.06% (0.00%)
		2017		0.06% (–0.00%)
	Local Government Tax Revenue Transfer	2015	2017 – Finance Law Project 2014, 2015, 2016 – Initial Finance Law	2.33% (–0.21%)
		2016		2.13% (–0.20%)
		2017		2.23% (0.11%)
Ireland	Transport, Water Services and Housing Infrastructure	2015	Expenditure Report 2014, 2015, 2016 and 2017	0.81 (–0.10%)
		2016		0.86% (0.05%)
		2017		0.98% (0.11%)

Italy	Innovation	2015	Economic Reports 2014 and 2015, Budget Project 2016 and 2017	0.14% (0.00%)
		2016		0.16% (0.02%)
		2017		0.16% (0.00%)
	Secondary and Vocationally-oriented Tertiary Education	2015	Economic Reports 2014 and 2015, Budget Project 2016 and 2017	2.62% (0.09%)
		2016		2.68% (0.06%)
		2017		2.63% (–0.05%)
	Higher Education and Research	2015	Economic Reports 2014 and 2015, Budget Project 2016 and 2017	0.45% (0.02%)
		2016		0.47% (0.02%)
		2017		0.46% (–0.01%)
	Transport and Infrastructure	2015	Economic Reports 2014 and 2015, Budget Project 2016 and 2017	0.65% (–0.04%)
		2016		1.00% (0.35%)
		2017		1.01% (0.01%)
Latvia	Tax Revenue from Environmental Taxes	2015	Law on state budget for the years 2014, 2015, 2016 and 2017	0.05% (–0.00%)
		2016		0.04% (–0.00%)
		2017		–
	Vocational Training	2015	Law on state budget for the years 2014, 2015, 2016 and 2017	0.48% (0.01%)
		2016		0.47% (–0.00%)
		2017		0.46% (–0.00%)
	Energy Policy Implementation	2015	Law on state budget for the years 2014, 2015, 2016 and 2017	0.24% (–0.05%)
		2016		0.35% (0.11%)
		2017		0.39% (0.04%)
Poland	Tax Revenue from VAT	2015	Annex 1 to the national budget act 2014, 2015, 2016 and 2017	7.49% (0.76%)
		2016		6.95% (–0.53%)
		2017		7.41% (0.46%)
Spain	Primary and Secondary Education	2015	Economical and Financial Report (2014, 2015 and 2016)	0.04% (0.01%)
		2016		0.06% (0.02%)
		2017		0.05% (–0.00%)
	Family Support and Childcare	2015	Economical and Financial Report (2014, 2015 and 2016)	0.00% (0.00%)
		2016		0.00% (0.00%)
		2017		0.00% (–0.00%)
	Low-income household support	2015	Economical and Financial Report (2014, 2015 and 2016)	1.02% (–0.07%)
		2016		1.05% (0.03%)
		2017		1.17% (0.12%)
	Long-term Care	2015	Economical and Financial Report (2014, 2015 and 2016)	0.01% (–0.00%)
		2016		0.00% (–0.00%)
		2017		0.00% (–0.00%)
Sweden	Tax Revenue from tax on property	2015	The Swedish National Financial Management Authority, State Budget Time series 2015, ESV 2016:41 and Government of Sweden Budget Bill 2017	0.78% (–0.03%)
		2016		0.75% (–0.03%)
		2017		0.71% (–0.05%)
United Kingdom	Low-income Family Support	2015	Central Government Expenditure according to PESA 2016	2.51% (–0.10%)
		2016		2.39% (–0.12%)
		2017		2.35% (–0.04%)

	Childcare	2015	Central Government Expenditure according to PESA 2016	0.01% (–0.00%)
		2016		0.01% (–0.00%)
		2017		0.01% (–0.00%)
	Network Infrastructure	2015	Central Government Expenditure according to PESA 2016	0.59% (0.00%)
		2016		0.94% (0.34%)
		2017		0.98% (0.04%)

Table 37: Country narratives of budget variation related to Country-Specific Recommendations

Austria	
	CSR number 3 in 2014 advised Austria to 'reinforce measures to improve labour market prospects of people with a migrant background, women and older workers. This includes further improving childcare and long-term care services and the recognition of migrants' qualifications.' The same recommendation has been made again in 2015 and in 2016 (for women only). We found that the budget for childcare has been consistently decreasing since 2014 and the budget for long-term care increased in 2015 and in 2016, but substantially decreased in 2017.
Belgium	
	CSR number 2 in 2014 recommended that Belgium 'prepare a comprehensive tax reform that will allow shifting taxes away from labour towards more growth friendly bases, simplifying the tax system, closing loopholes, increasing VAT efficiency'. In 2015, the CSR number 2 reiterated 'Adopt and implement a comprehensive tax reform broadening the tax base, shifting the tax burden away from labour'. Belgium's expected revenue from labour taxes as a share of GDP significantly increased in 2015, but decreased slightly in 2016 and in 2017. The expected revenue from VAT has been consistently increasing since 2014.
	CSR number 4 in 2014 suggested to 'increase labour market participation, in particular by reducing financial disincentives to work, increasing labour market access for disadvantaged groups'. In 2015, the CSR number 3 insisted: 'improve the functioning of the labour market by reducing financial disincentives to work, increasing labour market access for specific target groups'. In line with this recommendation, the government's budget to promote gender equality in the work place has been increasing since 2014.
Czech Republic	
	CSR number 2 in 2014 advised the Czech Republic to 'improve tax compliance with a particular focus on VAT'. The tax revenue from VAT of the Czech Republic decreased between 2014 and 2015, but slightly increased in 2016.
	CSR number 2 in 2014 suggested to 'reduce the costs of collecting and paying taxes'. However, since 2014, the cost of collecting taxes has increased each year (our data does not include customs taxes, however).
	In 2014, CSR number 3 recommended that the Czech Republic 'Promote the employability of older workers'. In 2015 and 2016, the budget of this mission increased, but then decreased in 2017, with the final 2017 value lower than that in 2014.
	The CSR number 4 in 2015 urged the Czech Republic to 'take measures to increase participation among disadvantaged children, including Roma'. However, the budget for assistance to Roma has decreased every year since 2014.
France	

	CSR number 1 in 2014 advised France to 'take steps to reduce significantly the increase in social security spending as from 2015 as planned' and to cap 'the annual increase in local government tax revenue'. Between 2014 and 2015, the projected deficit of the 'general regime of the social security in terms of sickness' increased, followed by a decrease in 2016 and 2017. Healthcare spending decreased in 2015, but then slightly increased in 2016 and 2017. Still, overall since 2014, the budget for healthcare has decreased. The local government tax revenue transfer decreased in 2015 and 2016.
	CSR number 5 in 2014 urged France to 'reduce the tax burden on labour and step up efforts to simplify and increase the efficiency of the tax system'. In the following year, the tax revenue from labour taxes as a percentage of GDP decreased.
Germany	
	All the CSR indicators with available data are already covered by the analysis of AGS priorities (Education, Infrastructure, Research and Innovation and Ratio consumption/income taxes).
Ireland	
	CSR number 1 in 2016 suggested 'prioritising government capital expenditure in R&D and in public infrastructure, in particular transport, water services and housing'. In line with the recommendations, the budget for those categories substantially increased between 2016 and 2017, and each year since 2014 the budget for jobseekers' allowance has decreased.
Italy	
	CSR number 1 in 2014 called for 'preserving growth-enhancing spending like R&D, innovation, education and essential infrastructure projects.' The public spending on Innovation has increased each year since 2014. The budget for infrastructure decreased slightly in 2015 compared to 2014, but increased in 2016 and 2017, representing an overall increase since 2014.
	CSR number 6 in 2014 recommended that Italy 'increase the use of work-based learning in upper secondary vocational education and training and strengthen vocationally-oriented tertiary education'. In 2015, CSR number 5 reiterated: 'As part of efforts to tackle youth unemployment, adopt and implement the planned school reform and expand vocationally-oriented tertiary education'. In 2015 and 2016, the budget for secondary and vocationally-oriented tertiary education increased. CSR number 6 of 2014 also advised Italy to 'Ensure that public funding better rewards the quality of higher education and research'. The budget for higher education and research increased in 2015 and 2016.
	CSR number 2 in 2015 suggested that Italy 'help promote intermodal transport through better connections'. In 2016 and 2017, the budget for transport and infrastructure increased.

Latvia	
	CSR number 1 in 2014 advised Latvia to undertake ‘a shift towards more growth-friendly property and environmental taxes’, and in 2016 CSR number 1 reiterated a call to ‘Reduce the tax wedge for low-income earners by exploiting a growth-friendly tax shift towards environmental and property taxes’. However, in 2015 and 2016 the tax revenue from environmental taxes decreased.
	CSR number 2 in 2014 suggested Latvia ‘improve the quality of vocational education and training, including by strengthening apprenticeship’. CSR number 2 in 2015 insisted: ‘Improve vocational education and training’, and in 2016 CSR number 2 recommended Latvia ‘Speed up the curricula reform in vocational education’. In 2015, the government increased its budget for vocational training, followed by a decrease in 2016 and 2017.
	CSR number 4 in 2014 recommended Latvia ‘accelerate the development of gas and electricity interconnections to neighbouring Member States to diversify energy sources and promote competition through improved integration of the Baltic energy markets’. The Latvian government decreased its budget for energy policy implementation in 2014, but then increased it substantially in 2016 and 2017.
Poland	
	CSR number 1 in 2015 advised Poland to ‘broaden the tax base, in particular by limiting the use of the extensive system of reduced VAT rates’. The tax revenue from VAT as a share of the GDP decreased in 2016 and then increased in 2017.
Spain	
	CSR number 4 in 2014 advised Spain to ‘effectively implement the new educational schemes to increase the quality of primary and secondary education’. The budget for primary and secondary education increased substantially in 2015 and in 2016, but decreased slightly in 2017.
	CSR number 5 in 2014 recommended that Spain ‘improve the targeting of family support schemes and quality services favouring low -ir the progressivity and effectiveness of social transfers’. In 2016, CSR number 2 reiterated: ‘Address gaps and disparities in minimum income schemes and improve family support schemes, including access to quality childcare and long-term care’. The budget for family support and childcare increased in 2015 and 2016, but decreased slightly in 2017. The budget for low-income household support decreased in 2015 and increased in 2016 and 2017. The budget for long-term care has decreased each year since 2014.
Sweden	
	CSR number 2 in 2014 advised Sweden to ‘reduce the effects of the debt bias in personal income taxation by gradually limiting tax deductibility of interest payments on mortgages and/or by increasing recurrent property taxes’. In 2015, CSR number 1 reiterated: ‘Address the rise in household debt by adjusting fiscal incentives, in particular by gradually limiting the tax deductibility of mortgage interest payments or by increasing recurrent property taxes’, and in 2016 ‘Address the rise in household debt by adjusting fiscal incentives, in particular by gradually limiting the tax deductibility of mortgage interest payments or by increasing recurrent property taxes’ was part of CSR number 1. Each year since 2014, Sweden has been reducing its expected tax revenue from property taxes, in line with those CSRs.

United Kingdom	
	CSR number 4 in 2014 advised the UK to 'Continue efforts to reduce child poverty in low - income households, by ensuring that the Universal Credit and other welfare reforms deliver adequate benefits with clear work incentives and support services. Improve the availability of affordable quality childcare'. In 2015, CSR number 3 reiterated: 'Further improve the availability of affordable, high-quality, full-time childcare' and in 2016 'Further improve the availability of affordable, high-quality, full-time childcare' was part of CSR number 3. Every year since 2014, the United Kingdom has reduced its budget for childcare and its budget to support low-income families.
	CSR number 2 in 2016 suggested that the UK 'address shortfalls in network infrastructure investment'. The UK's budget for network infrastructure increased between 2016 and 2017.

ANNEX E: FURTHER DETAILS ON THE EUROPEAN SEMESTER

This annex discusses in greater detail the process of coordinating fiscal and economic policies under the European Semester.

Fiscal Policy Coordination

The fiscal component of the European Semester is largely based on the SGP, which was adopted in 1997 in order to extend the application of the Maastricht convergence criteria beyond the introduction of the euro as common currency. In the Treaty of Maastricht, it was established that in order to enter the third stage of Economic and Monetary Union, the adoption of the euro as common currency, member states have to fulfil a number of conditions, the so-called convergence criteria. These criteria cover price stability, exchange rate stability, long-term interest rates as well as sustainable fiscal position (EU2012).[57] This fiscal component specifies that member states should not have a budget deficit that exceeds 3 per cent of GDP or a government debt that exceeds 60 per cent of GDP (EU 2008). In the SGP, these fiscal criteria are maintained and governed by a preventive and a corrective arm. Under the preventive arm, euro-area member states have to submit stability programmes each year, which cover economic developments and budgetary measures. Non-euro-area member states have to submit convergence programmes instead (EU 1997). These two documents represent an important input for discussions and multilateral surveillance under the framework of the European Semester. The corrective part of the SGP consists of the Excessive Deficit Procedure (EDP), which can lead to financial sanctions if the member state concerned has failed to take effective action. Since its inception, the SGP has been reformed twice. The first reform of the pact in 2005 gave more flexibility to the application of the rules in times of economic downturn. The second round of reforms occurred in the wake of the European debt crisis in the context of the so-called Six-Pack.[58] This reform introduced, among other measures, the reversed qualified majority vote for the imposition of sanctions. Also, the 60 per cent of GDP limit for government debt can be sufficient on its own for launching the EDP, even if the deficit remains below 3 per cent of GDP.

Surveillance of national budgets within the institutional setting of the European Semester has further been reinforced with the adoption of the Two-Pack[59] in 2013. For the first time, euro-area member states have to submit their draft budgetary plans to the European Commission in October each year, even before these have been discussed by national parliaments.

The AGS, which launches the European Semester cycle each year, contains economic forecasts, covering GDP growth, employment growth, inflation forecasts and, most importantly in this context, forecasts of deficit and debt-to-GDP developments. Based on these data and analyses, the European Commission sets out priorities for fiscal policy making and gives guidance for member states (EC2016b).

Economic Policy Coordination

Alongside the fiscal component, the European Semester also covers policy instruments for economic policy coordination and surveillance. To that end, existing instruments of soft policy coordination,

[57] Art. 140

[58] The 'Six-Pack' refers to the adoption of five Regulations and one Directive in the areas of fiscal policy and macroeconomic imbalances.

[59] The 'Two-Pack' refers to the adoption of two Regulations in the areas of budgetary and economic monitoring and surveillance.

such as broad economic policy guidelines and the employment guidelines, which were largely based on the open-method of coordination (OMC), were streamlined into the European Semester.[60] In line with these guidelines, the national reform programmes, which are submitted by member states and discussed in the context of the European Semester, set out measures that support the Union's strategy for growth and jobs EU 2011b).

In addition, the European Semester contains a new economic policy coordination and surveillance instrument in the form of the MIP. The MIP was introduced with the Six-Pack in order to prevent macroeconomic imbalances and to correct excessive macroeconomic imbalances that might threaten the functioning of the economic and monetary union. The rationale of the introduction of the MIP was the acknowledgement of the Van Rompuy Task force, named after the first permanent president of the European Council Herman van Rompuy, and set up to prepare for reforms of Economic and Monetary Union in the wake of the Debt Crisis, that macroeconomic imbalances had contributed to the impact of the crisis (Council of the EU 2010).

The MIP, as part of the European Semester, is launched annually with the publication of an Alert Mechanism Report (AMR), alongside the AGS. The AMR makes use of a scoreboard in order to detect and assess imbalances, such as large current account deficits or surpluses, and to identify member states that might be at risk of, or affected by, imbalances. For these member states, the Commission undertakes an In-Depth Review (IDR), which contains an evaluation of whether the member state concerned is affected by imbalances. The MIP distinguishes, just like the SGP, between a preventive and a corrective arm. The review of recommendations that are made under the preventive arm takes place in the context of the European Semester (EU 2011c). The corrective arm applies when excessive imbalances are detected and might lead to sanctions if corrective actions have not been taken (EU 2011a).

[60] The Open Method of Coordination (OMC) uses soft mechanisms, such as benchmarking, guidelines and sharing of best practice to encourage member states to move in a desirable direction. The OMC is predominantly applied in policy areas that are primarily a national competence, such as employment, social security, education or social inclusion and poverty.

ANNEX F: FURTHER DETAILS ON THE DEBATE ON REFORMING THE EU BUDGETARY SYSTEM

The structure of the EU budgetary framework and the issue of flexibility

The 'own resources' system sets out how the EU budget is financed, while the structure of the expenditure side of the budget is determined for a period of at least five years, by the MFFs. There are specific constraints that set maximum amounts – ceilings – on both EU revenue and spending.

The rules on the EU's own resources establish an EU revenue ceiling. This is the maximum amount of its own resources that the EU may raise during a year. The ceiling is expressed as a percentage of the EU's GNI and therefore depends on the economic situation in the EU. For 2014–2020, the EU may raise its own resources for payments up to the limit of 1.23 per cent of the sum of all the member states' GNIs. The MFF sets the maximum amount of commitment appropriations in the EU budget each year for broad policy areas (the headings) and fixes an overall annual ceiling on payment and commitment appropriations.

There are two types of expenditure ceiling: a ceiling for each heading, and an overall ceiling for all headings. The overall ceiling for all headings applies both for commitments and payments.[61] For commitments, the overall ceiling equals the sum of the individual heading ceilings; for payments, the annual ceiling is based on the sum of payments scheduled for each category of commitments. For 2014–2020, the total amount of appropriations for commitments may not exceed 1.29 per cent of the EU's GNI.

The ceiling for payments is also expressed as a percentage of the EU's estimated GNI (based on expected GNI development). This percentage is updated every year on the basis of the latest available GNI forecasts in the framework of the technical adjustment of the financial framework for the following years. This makes it possible to check whether the EU's total payments (estimated expenses) are within the ceiling set by its own resources decision.

The budget is not allowed to exceed the ceiling of the EU's own resources. It means that the total payments ceilings in the financial framework are always lower than the own resources ceiling. The margin between the own resources ceiling and the ceiling for payment appropriations allows the financial framework to be tweaked, to cover unforeseen expenses. However, the budget itself must not exceed the limit set by own resources.

These ceilings and boundaries ensure budgetary discipline but may limit the flexibility to respond to events and changes in policy priorities. On many occasions in the past, member states managed to accommodate significant changes or new priorities by revising the multiannual financial framework, either with a qualified majority if the change amounted to less than 0.3 per cent GNI, or at unanimity above that percentage (HLGOR, 2016). Revisions in most cases benefited from the existence of

[61] Commitments (the full term is 'commitment appropriations') cover the total cost of legal obligations that the EU could sign in a given financial year. Legal obligations can be contracts, grant agreements and decisions. Payments (the full term is 'payment appropriations') cover expenditure due in the current year, arising from legal commitments entered into in the current year and/or earlier years. Payment appropriations are the actual amounts to be paid.

comfortable margins under the ceiling, even if there was always, as much as possible, an offsetting of margins.

With the revision of the MFF being now only possible at unanimity, further flexibility is today granted by some **special instruments**. Taking into account past experience, the scope for intervention for some special instruments has been broadened, the maximum allocation increased and the carrying over of unused amounts to the following year(s) has been allowed. These special instruments include the Emergency Aid Reserve (designed to finance humanitarian, civilian crisis management and protection operations in non-EU countries), the EU Solidarity Fund (emergency financial aid following a major disaster in a member state or candidate country), the **Flexibility Instrument** (funding for clearly identified expenses which cannot be covered by the EU budget without exceeding the maximum annual amount for expenditure set out in the MFF), and the European Globalisation Fund (to help workers reintegrate into the labour market).

In addition to these existing instruments, **new flexibility measures** have been introduced in the MFF 2014–20:

- Flexibility for payments: under certain conditions and within the overall ceilings set in the MFF, unused payment appropriations and margins can be carried over from one financial year to the next. The payment ceiling of the years in which the unused margins arise must be cut accordingly in order to leave the overall ceiling unchanged.
- **A Global Margin for Commitments** to provide flexibility for commitments in growth and employment: commitment appropriations left unused in 2014–17 will form a reserve for additional expenditure in 2016–20 in the area of growth and employment (in particular for youth employment).
- **Specific flexibility for youth employment and research**: in order to concentrate a maximum of funds where they are the most needed as early as possible, up to EUR 2.1 billion can be brought forward to 2014–15 for the Youth Employment Initiative and up to EUR 400 million for research, Erasmus and SMEs. In 2013, the EU Institutions agreed (EP2013a) to use the amount as follows: EUR 2,143 million for Youth Employment, EUR 200 million for Horizon 2020, EUR 150 million for Erasmus and EUR 50 million for COSME.
- Flexibility for aid to the most deprived: on a voluntary basis, member states can increase their allocation for the aid to the most deprived by EUR 1 billion.
- **A Contingency Margin**: this is a last resort instrument to react to unforeseen circumstances and amounts to 0.03 per cent of the EU's GNI

In order to finance 2017 budget priorities, and given the exhaustion of resources under some headings, it was necessary to extensively use the 2014–2020 MFF's unallocated margins and flexibility provisions (EPRS 2017). From the moment of adoption of the 2017 budget, it was decided to mobilise the Global Margin for Commitments, the Flexibility Instrument, and the Contingency Margin. Under the Global Margin for Commitments, EUR 1,439.1 million was mobilised to finance additional allocations under subheading 1a, 'Competitiveness for growth and jobs'; under the Contingency Margin, EUR 1,906.2 million was mobilised to finance heading 3, 'Security and citizenship' (EUR 1,176 million) and 4, 'Global Europe' (EUR 730.1 million); and under the Flexibility Instrument, EUR 530 million was mobilised to address the migration and refugee crisis under heading 3, 'Security and Citizenship'.

The mid-term revision of the 2014–2020 Multiannual Financial Framework

Based on Article 2 of the MFF Regulation, by the end of 2016 the European Commission must present a compulsory review of the functioning of the current MFF, accompanied, as appropriate, with a legislative proposal for its revision. The EC presented its proposal in September 2016 EC 2016d, 2016e), and the mid-term revision is currently under negotiation. One of the key issues at the outset of the debate on the mid-term review/revision of the MFF, is improving the flexibility of the current MFF and revision of the MFF ceilings, in the light of new events and priorities.

The European Parliament was critical of the agreement on the 2014–2020 MFF reached by the European Council in February 2013 from very early on, calling for a series of changes in a March 2013 resolution (EP 2013b). It has also consistently and firmly supported the idea of an obligatory, genuine, post-electoral mid-term MFF review and revision (EPRS 2016). In the run-up to the mid-term review/revision of the MFF in July 2016, the current EP adopted a resolution (EP 2016) to provide its input to the process ahead of the compulsory review of the MFF by the European Commission. Assessing the functioning of the 2014–2020 MFF in its first years, the EP drew attention to the budgetary implications of a number of serious crises and new political initiatives that were not anticipated in 2013, and on this basis demanded, among others: the provision of additional resources in key areas of concern, the strengthening of flexibility provisions and special instruments, and measures to avoid a repeat of high year-end payments backlogs towards the end of the current MFF.

In its 2016 proposal (EC 2016d, 2016e), the EC stated that the MFF ensures medium-term predictability for investments, but also needs to respond swiftly to, and deliver on, new challenges. The EC deems this swift adaptation to have occurred, both for the establishment of EFSI and the rapid provision of resources in the fields of migration, refugees and security. Additional resources were mobilised within the budget through the flexibility provisions of the MFF, and outside the budget by means of contributions from member states and others (e.g. the European Investment Bank and other investors in EFSI). However, the EC considers that the flexibility available under the current MFF is now almost exhausted, while challenges such as migration[62] and security have long-term implications and require a strengthened budget capacity.

The compromise text endorsed by the Council and amended by the EP on the MFF revision partly modifies the Commission proposal and properly strengthens a number of flexibility provisions and special instruments (EPRS 2017a, EP 2017a, EP 2017b). In particular, the MFF Regulation would be modified as follows:

- The additional support of EUR 6 billion (15 per cent redeployments, 85 per cent unallocated resources), subject to annual budgetary procedure, would be made available to support migration-related measures (EUR 3.9 billion) and jobs and growth (EUR 2.1 billion, out of which EUR 1.2 billion will boost the Youth Employment Initiative).
- The cap on the global margin for payments for the years 2018–2020 would be kept, but its overall amount would be increased by EUR 5 billion (i.e. +EUR 2 billion in 2019 and +EUR 3 billion in 2020).

[62] The EC took the opportunity provided by the mid-term revision of the MFF 2014–2020 to propose the creation of the European Fund for Sustainable Development (EFSD). The EFSD aims to mobilise EU grants to catalyse investment from public and private sources to tackle the root causes of migration in the European neighbourhood and Africa. The EFSD proposal is expected to be discussed in the EP plenary session of July 2017.

- The annual amounts available for the Flexibility Instrument and the Emergency Aid Reserve would be increased respectively to EUR 600 million (from EUR 471 million) and EUR 300 million (from EUR 280 million).
- The annual amount of the Flexibility Instrument would be further increased by an amount equivalent to the unused resources of the European Union Solidarity Fund and the European Globalisation Adjustment Fund, which would otherwise be lost.
- The time limitation on the global margin for commitments would be removed. The limitation on its scope would be kept, but extended to include migration and security measures alongside those related to growth and employment.
- The spending limits of the MFF would not be modified. A related budgetary proposal on the Contingency Margin should reduce possible pressure on payments during the final years of the MFF.
- Following the agreement of the Council of March 2017 and the European Parliament resolution of April 2017, the revised text now needs to be formally adopted by the Council by a unanimous vote.

The debate on reforming the EU budgetary system: issues at stake

There is general agreement that the EU budget needs reform. Focus on results, leverage, synergies, conditionality and European added value are often mentioned among the principles that should underpin any changes (EPRS 2017b). There seems to be a high degree of consensus around the fact that the flexibility and influence for short-term crisis intervention remains a weakness that must clearly be addressed (HLGOR, 2016), and that any future reform should aim for a budget that is evidence-based, more agile, and more efficient (Clingendael, 2016).

In recent years, the adoption of the EFSI and the YEI, and the use of other special measures have been an impressive show of flexibility. However, it is doubtful whether such arrangements could be repeated, as the rules have already been stretched and the margins that have been used cannot be found again in the present framework (HLGOR, 2016). The EU budget's flexibility instruments have all been used up halfway through the MFF's term, leaving virtually no room for manoeuvre for unforeseen measures (Becker 2016).

With little margin left at disposal for reacting to changes, and the awareness that the present degree of flexibility will not suffice under similar pressures in the years to come, the announced mid-term revision/review of the MFF will be crucial. The European Court of Auditors (ECA) states that the mid-term review package will contribute to allocating more resources to identified priorities, increasing the flexibility of the budget and simplifying implementing rules (ECA, 2016). The mid-term revision put forward by the Commission moves in the right direction by proposing measures to improve the functioning of the EU budget and its capacity to respond to new priorities and unforeseen events (CEPS, 2016).

While there is unanimous consensus around the fact the design of the EU budget has to ensure the right balance between predictability of investments and capacity to respond to new challenges and priorities, several issues are still debated[63]:

- <u>Flexibility</u>: the question of whether the MFF and EU budget, together with new financial initiatives, ensure enough flexibility is still an open one. Specific questions relate to the

[63] For a complete overview see EPRS (2017b).

possibility of shifting resources within and between MFF headings, the creation of a special crisis reserve, and secure bigger margins under annual ceilings.

- Reform of the financing side of the budget: the current system of EU own resources is widely criticised, and a long-running discussion on reforming the European Union's budget gained momentum when the High-Level Group on Own Resources, presented its report in January 2017 entitled 'Future financing of the EU'.
- Duration of the MFF: the current, seven-year MFF is not synchronised with the five-year political cycle determined by the political terms of the European Commission and the European Parliament.
- MFF priorities and structure: the debate highlights that the current structure of the MFF is outdated, too focused on past priorities and insufficiently supportive of initiatives with high European added value. From this perspective, aligning the budget to a new and evolving set of EU strategic priorities (including migration, security and investment policy) appears a crucial aspect of the reform. In 2015, the EC launched the Budget focused on results initiative[64] which aims at further improving the impact and performance of the EU budget. One of the key points of the initiative is the following: 'The EU budget should invest in programmes delivering European added value and contributing to implementing the Union's overall strategy and priorities. Moreover, it should be able to respond to new challenges and to address multiple objectives (e.g. climate mainstreaming, conditionality and alignment with country-specific recommendations)'.
- Financial instruments: the use of innovative financial instruments can present advantages to the budget's effectiveness, but some aspects of their functioning in the EU budget are still largely debated.
- Unity of the budget: the proliferation of new instruments for financing EU actions, partially outside the EU budget, raises questions about the principle of the unity of the budget and democratic accountability.
- Role of the budget in EU economic governance: there are proposals to strengthen and extend the existing links between the EU budget and the economic governance framework of the Union, for example, macro-conditionality of the ESI Funds and links with Country-Specific Recommendations. In particular, the European Economic and Social Committee, in a 2017 opinion (EESC 2017), raised the issue of respecting the very close link between the EU budget and the new model of EU economic policy and the EU's current economic performance over the medium term, for instance, among others, the links between the Europe 2020 strategy, the European semester, the six-pack, the two-pack and the CSRs. One approach suggested might be close links to Country-Specific Recommendations as a benchmark for efficient allocation of the EU budget. In the same vein, a project led by Green Budget Europe (2016) suggests that the European Semester could contribute to better spending of EU funds by member states and should be used to strongly link CSRs and the performance framework of member states' EU funds spending plans to ensure a better contribution to the Europe 2020 Strategy's environmental and social targets.
- Changes to the decision-making process: the current procedure leading to agreement on the MFF with a unanimity vote in the Council is seen as one of the main obstacles to budget reform.

[64] See EC (2017b).

This study examines synergies between the objectives of the Annual Growth Survey (AGS) and EU and national budgets. It also assesses the impact of the guidance provided by the AGS and country-specific recommendations on national budgets with a view to supporting policies enhancing economic growth.

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