



## The European Semester and country-specific reform and investment recommendations: efficiency, targeted measures and feasibility. Civil society's opinion.

**12 March 2024 10:00-13:00**

European Commission Representation in Lithuania, Gedimino Ave. 16, Vilnius

### Organiser of this round table

- European Economic and Social Committee

### Description

*This round table was organised as part of the consultation carried out by the EESC's European Semester Group ([ESG](#)) for the preparation of an own-initiative opinion entitled "Reform and investment proposals and their implementation in the Member States: the views of organised civil society (2023-2024 cycle of the European Semester)" ([ECO/631](#)). With this opinion, the ESG is now continuing the work begun in 2021: consulting national economic and social councils, the social partners and civil society organisations in the EU Member States on a key subject of the European Semester. This consultation focuses firstly on the reform and investment measures in the Member States, in particular those based on the [2023 country-specific recommendations](#), and on their implementation, in order to assess the effectiveness of these measures and the possibilities for better targeting of proposals, improved implementation and monitoring, and the involvement of organised civil society in the procedures. Secondly, it is also focusing on issues relating to the ongoing [review of the EU's economic governance rules](#), the central objective of which is to strengthen public debt sustainability while promoting sustainable and inclusive growth in all Member States through reform and investment. Lastly, the EESC intends to continue previous consultation exercises by examining the state of implementation of the reforms and investments provided for in the national recovery and resilience plans and which are financially supported by the [Recovery and Resilience Facility](#) funds.*

*The results of this consultation will be summarised in an EESC opinion, also set out in an annex, in which the Committee continues to promote a more participatory European Semester and economic governance framework, with greater ownership at national level and closer involvement of organised civil society. This round table addressed the following questions (taken from the questionnaire on which this consultation is based):*

- *The reform and investment measures in the Member States, in particular those based on the country-specific recommendations 2023<sup>1</sup>, and their implementation;*
- *The reform of the EU's economic governance rules;*
- *The implementation of the reforms and investments provided for in the national recovery and resilience plans.*

## Report

### Opening remark

- General introduction of the EESC and the European Semester Group and its purpose, as well as the members representing the Committee. Outlining the topic and purpose of the meeting with organised civil society.

### Head of the EC Representation in Lithuania:

- Three important interrelated topics: country-specific recommendations and their implementation in the Member States, reform of EU economic governance rules and implementation of national economic recovery and resilience building plans;
- The line that unites these topics is the growing awareness that EU countries are strongly interdependent, and therefore, must coordinate their economic and social policies; this leads to the emergence of new instruments such as the European Semester;
- At the same time, the obligations and responsibility for these obligations assumed, as well as the consequences for non-fulfilment of these obligations, increase. Therefore, the involvement and participation of the social partners is very important, as this ensures their support;
- The European Semester was created as a response to the last financial crisis, which prompted existential threats to the economies of European countries. This led to the creation, strengthening and consolidation of various procedures: excessive deficit, macroeconomic imbalances, etc. Thus, the coordination of reforms is also combined into one semester;
- Various types of consultations with social partners are regularly held, efforts are made to listen to their opinions and assess the real situation in Lithuania;
- In general, the recommendations are appropriate, they are also supported by the social partners, but certain shortcomings are also observed:
  - they require long-term, sometimes unpopular, reforms driven by political cycles. Only a small number of recommendations are fully or largely implemented;
  - countries are not penalised for non-compliance with fiscal rules;
  - the rules lack flexibility; all countries are treated equally; their specific characteristics are not taken into account;
  - when implementing the Maastricht criteria, countries often had to adopt decisions that were not beneficial to the country, such as reducing investments, which led to a negative potential for economic growth in the future;
- This has given rise to (already in the context of COVID) the Recovery and Resilience Facility (RRF) – a large part of the entire European Semester. It was created on the basis of the Semester. The essential difference is financial incentives to implement reforms, along with financial liability if the goals are not achieved;

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<sup>1</sup> For a quick overview of the CSRs for your Member State, please consult the [country-specific recommendations database](#) established by the European Commission Recovery and Resilience Plans in the 2023 European Semester (europa.eu).

- It is not easy to reorient towards this principle, the implementation could be faster, however, at the same time it is normal that it takes time to adapt to innovations;
- Another new thing is the reform of fiscal rules, revision of all criteria: with respect to 3 percent GDP deficit and 60 percent debt, for the purposes of flexibility and better reflection of the actual economic situation;
- Important issue – these rules will no longer encourage the countries to forgo growth-enhancing investments just to balance the budget. Several priority areas of investment relevant for the entire EU are singled out: green and digital transformation, social and economic resilience, energy security and defence;
- Fiscal rules, like the RRF, will strengthen the incentive to carry out structural reforms;
- Social partners play an important role in these processes, and it is also necessary to create an effective coordination mechanism at the national level, so that social partners can effectively engage and exert influence.

The President of the European Semester, L. Jahier, broadly explains the importance of the European Semester and consultations with the civil society, and is content with the extremely good results achieved within three years.

#### Chair of the Lithuanian Trade Union Solidarumas:

- The country-specific recommendations *are very accurate, reflecting the main proposals and aspirations of the trade unions*;
- There is a great number of reforms, it is difficult to keep up with them everywhere, but they are very relevant and trade unions are actively involved, especially in the health and social areas;
- There is a lack of dialogue at the municipal level, e.g. regarding the renewal of public transport, ensuring mobility;
- Much needed is the recommendation on skills and their development taking into account the actual needs of the labour market; investments in skills development must be targeted;
- Investment in home renovation and social housing are too low; an unpopular decision was made not to grant the right to compensation if a person resides with relatives, regardless of the fact that the person is entitled to it, e.g. due to disability or low income;
- A more active social dialogue is needed to ensure that decisions are made jointly.

#### Discussion on the European Semester

*Do the country-specific recommendations meet the interests and expectations of our state institutions; are there any problems to be solved, and how does our civil society evaluate this? Are the recommendations effectively implemented? What obstacles are faced?*

#### NATIONAL INSTITUTIONS

##### Government of the Republic of Lithuania:

- The Semester shall be understood as the main coordination mechanism. Its positioning is important: what it is, how it fits with other processes, what the documents are and their objectives, and what procedures and investment mechanisms are provided for;
- In terms of positioning, it is not an independent process, but rather a part of investment, economic and social life in all EU Member States, because it covers only certain aspects of the economic development of each Member State;
- The common denominator is a sustainable financial system, the Green Deal, digitization, greater welfare, greater economic resilience, etc.;
- It does not run parallel to the processes in Lithuania, but rather is part of the same processes. The differentiation is symbolic, taking place through separate processes, planning, evaluation, separate documents, cycles in terms of time and action, and investment mechanisms. Large funding sources and investment instruments are not included in the Semester. It is not clear whether they should be left aside or evaluated comprehensively;

- The RRF is a very timely but temporary instrument. It is unclear in what form it will continue to exist, or whether it will exist at all;
- Regarding the ambition to implement the annual recommendations, with the exception of one specific recommendation for each country (2023), the recommendations remain the same: stability of the financial system, the goal to abandon costly energy support measures, and continuing the implementation of the RRF. The specific recommendation for Lithuania is to strengthen primary health care and increase the resilience of the health system;
- If the implementation of the Semester is not an independent process, would it not be worth considering including it as a standard practice in national planning and national strategic decision-making?

#### Ministry of Finance of the Republic of Lithuania:

- When coordinating the implementation of the largest investment programmes and negotiations with the EC regarding structural fund programmes and the New Generation Lithuania plan, the significance of the European Semester was always emphasised;
- It was not difficult to decide which reforms to include in the New Generation Lithuania plan and to make a commitment to link it with specific funds;
- During negotiations with the EC, it was possible to include the main recommendations of the semester, and not only for 2023, but also for previous years, which have not yet been fully implemented;
- The recommendations are really spot-on; it is important to emphasise that in the mid-term assessment, Lithuania is mentioned as one of the countries that best implements the recommendations;
- The question is what will be the impact and significance of all these reform actions. When planning reforms, investments and discussions with partners, it is necessary to find the best solutions in order to maximise the impact.

#### Ministry of Economy and Innovation of the Republic of Lithuania:

- Regarding the content of the country-specific recommendations, the question arises whether they actually respond to the most pressing challenges of the Member States, and whether they are the most important considering the current security situation. Optional;
- Recommendations are delayed. There are new challenges related to security, foreign investors, and there is uncertainty due to the war in Ukraine. The debate has fundamentally changed, but the recommendations do not address this in any way;
- It is necessary to discuss with the social partners as soon as possible where the priorities lie: health care, mobilisation, education, job creation or other areas? This could be interpreted as criticism of the process, but it is timely and appropriate because of the lack of flexibility, since the situation in the country can change very quickly and dramatically;
- Therefore, flexibility and clarity are required, keeping in mind the specific challenges of each country. There could be incentives or opportunities to change strategic documents more flexibly, as prompt response is occasionally required.

#### Ministry of Social Security and Labour of the Republic of Lithuania:

- The recommendations are appropriate and useful, we appreciate the progress analysis carried out by the EC;
- There is a number of recommendations in the social field, which leads to a considerable administrative burden, because coordination, decision-making, document reading and analysis take up a lot of time in the Ministry's agenda, so there is very little time left for discussions with social partners;
- Difficulty in achieving this also arises due to short deadlines: EC documents are sometimes received 'at the last minute';
- The timeliness of information in the context of the Semester and recommendations is very important; the information often does not reflect the actual situation;

- Survey data and administrative data are not identical; a specific example is the disability employment gap indicator mentioned in the last employment report;
- When implementing the recommendations, especially in the social field, the municipal level is extremely important and should be included.

#### Ministry of Transport and Communications of the Republic of Lithuania:

- The recommendations on climate change and innovation are important, and they are correct, but the process is too slow;
- We live in a very dynamic world of changes: now the situation in Lithuania and the Baltic States is different than it was when the recommendations were negotiated;
- The plans are ambitious, but they do not always match the new challenges;
- RRF is an agreement on the result, not on the process; by not giving up the control mechanism (micromanagement), we killed the result because we took too long; many processes and reforms have started, but the results have not yet been achieved;
- Success story – communication with social partners during the implementation of 5G in Lithuania: the country prepared an important package of laws, the business sector made large investments, therefore, achieved excellent results;
- The main challenge of the European market is that there is no competitive price for technology in Europe.

**Comment.** Linking investment to reforms. Reforms are mostly implemented by the public sector and the central government, while investments in most cases are not carried out by the public sector. Speed and results depend both on the process and various changes, and on the activity of the non-public sector. Linking the reforms planned at the state level to the entire investment package is too straightforward and should not be the main rule. In addition, the potential of the countries is different. Certain countries (LT) are highly dependent on European investments from all sources.

### OPINION OF THE SOCIAL PARTNERS

#### Lithuanian Confederation of Industrialists:

- The recommendations are accurate and correct, perhaps lacking specific details in relation to Lithuania.
- However, the biggest problem is implementation, administration and coordination between ministries, and lack of dialogue with social partners; a way to work efficiently and implement reforms has still not been found.
- Lithuania has limited funds and capacities to afford not to achieve the result with the available resources; every euro spent must have the greatest possible effect;
- There should be as few administrative matters as possible and implementation must be as prompt as possible, investments must be “launched” as soon as possible; more intensive and effective social dialogue should help to find ways to do this.

#### Poverty Reduction Network:

- We are included in the Semester and we are happy about it. The 2023 recommendations in the social area are weaker compared to the last few recommendations.
- Tax reform recommendations were expected, but none were forthcoming.
- The situation has not changed when assessing indicators of the risk of poverty or funding for social protection; it is reminded that 2/3 less has been allocated to social security than the average allocation in other EU countries. We cannot expect change when the field has been significantly underfunded for many years.
- Large investments in social housing are required, greater availability of compensation for housing, and housing policy in general.

- The housing market is under-regulated; owners can do almost anything they want, such as raise prices, etc..
- We are pleased that there are increasingly more recommendations for social services; the results are not visible immediately, but after several years.
- There is a need for a monitoring tool for social services, moreover, municipalities are insufficiently involved in this monitoring and implementation.
- Health care recommendations are evaluated positively.
- A general note on investments: after the governance change, NGOs can no longer be direct applicants, but only partners, so the processes took a long time; later, a serious analysis is required as to whether this transformation actually worked and whether it gave rise to any additional bureaucracy.

#### LTU Solidarumas:

- As far as the RRF is concerned, the lack of funds statement cannot be accepted. In five years, revenues in the state budget increased from 10 billion up to 17 billion. The statistics show that the funds are available, but the question is how they are used. Perhaps the funds are distributed incorrectly.
- The trade union strongly supports the recommendations, but they are not implemented.
- The tax reform is only cosmetic and ineffective, so the question arises whether there will be sanctions and to what extent. Otherwise, the recommendations will continue to be unimplemented.
- We support the recommendations on strengthening the public sector, but we face another problem – optimisation, where the number of people is reduced and the workload is increased; the increase in wages in the public sector is lower than inflation.
- Greater EU pressure on the Member States is necessary to ensure implementation of the recommendations.

**Comment:** we are all involved when EC recommendations are drawn up. Consultations are held primarily with state institutions, but rather episodically. It is true that the recommendations do not reflect everything that is most relevant. Life is more dynamic than what is planned or recommended. Recommendations for business are justified. Energy independence and transformation are important. Lithuania has made great progress in the field of energy from renewable resources (e.g. solar); conditions are being created for the development of wind energy. When the process is successful, abuses of public services (Ignitis, ESSO) occur, although they are supposed to serve the public interest. Unfortunately, part of the profit is not directed to the benefit of society. Large investments in cleaner public transport are required (e.g. LT railways are in extremely poor condition).

*The reform of the EU economic governance framework is being implemented. The proposals should improve the economic and social growth of the Member States. Member States are allowed to deviate from the Maastricht criteria and are given more freedom to implement existing plans. How do you evaluate the reform of economic governance rules?*

#### SOCIAL PARTNERS

- Flexibility is generally welcome and necessary.
- However, there is a risk that this may lead to non-implementation of recommendations, e.g. those on the public sector, on banking and on transport;
- Perhaps social partners should more actively seek to influence state institutions.
- When making recommendations, the European Commission should look closer at and take into account the situation and context of specific Member States (e.g. Lithuania is one of the least indebted Member States).
- The reform of the economic governance rules may pay off; it may be successful in Lithuania or the northern countries, but not necessarily in the southern countries, which will affect the interests of the entire EU.

## NATIONAL INSTITUTIONS

### Ministry of Finance of the Republic of Lithuania:

- Lithuania observes fiscal discipline, our indicators meet the Maastricht criteria, the country's debt has not reached the maximum limit, like in other EU countries. Our long-term goal will continue to be financial sustainability.
- There does not seem to be much leeway to deviate from the criteria, e.g. if you invest in national defence it does not mean you can increase the debt to the maximum rate.
- It is important to maintain that sustainability. Fiscal discipline forces us to choose priorities very carefully and seek cost efficiency.
- The tax reform debate is the most complicated. The reform is far-reaching and has ambitious commitments. It is a potential source of raising funds for financing various national needs. Some of the commitments have already been implemented.

**Summary.** Tax reform is a complex matter. Its purpose is not to collect more funds, but to collect them more fairly and ensure fairer taxation. The problem of our country is trust in the state. Collected taxes are often wasted (lack of order, no control): construction of the stadium, gambling scandals. National Education NGO Network: Civil society organisations and non-governmental organisations were not included in the deliberations on the reform of economic governance rules. Representatives of these organisations would like to participate in the discussions.

**Comment.** Consultations, which are sometimes closed, take place in writing, remotely, rarely live, but possibly there is lack of participation of the civil society organisations. However, it has to be noted that there is insufficient consultation at both the national and European level, or it takes place only at the last stage, when everything has already been prepared and all that remains is approval. Consultation at an earlier stage is necessary.

### *Consultations with social partners and civil society*

## SOCIAL PARTNERS

- The economic recovery plan is very broad and complex. It is hard to understand it properly;
- There are a lot of documents and these documents are of large volumes – they take a lot of time to read.
- However, these documents should not only include the timetable and indicators, but the progress and the results achieved.
- The trend is not good – the consultation procedure is flattening out. It is returning to one-way information, and there is no more dialogue. Social partners are consulted only for the very fact that consultations are taking place, without waiting for feedback. The added value of being in partner groups of regional development councils is no longer visible.
- Lack of civil and social dialogue.
- Participation is disproportionate in terms of representation (e.g. the proportion between trade unions and employers is not maintained in the Working Party on Tax), the process without involvement seems pointless, as there is no continuity. Minimum income reform is also stalled.
- The participation of trade unions is low and their proposals are not taken into account sufficiently or at all. When the government changes, the consulting work stops and is no longer continued. Later, an already prepared project is presented in the last stage, when all that remains is to get familiarised with it and nothing can be changed.

## *How should participation of social partners and society be ensured?*

### SOCIAL PARTNERS

- The consultation process should be defined in an EU regulation. This should also be stipulated in national legal acts, which would not allow this important stage to be forgotten.
- consultations were mandatory during the development of the RRF plan; no one adopted RRF plans without consultation.
- In LT, consultations also took place, but at the initiative of social partners rather than state institutions.
- there is not enough feedback: following consultations, information should be provided on what was taken into account.
- Member States together with partners should determine the ways in which consultation should take place.

### INSTITUTIONS

#### Ministry of Finance of the Republic of Lithuania:

- It is not true that consultations are organised only at the request of social partners. Extensive discussions took place at various levels, including in writing. Everyone had the opportunity to participate. A document has been released that outlines what has been taken into account. It is possible that not everything has been included and it could be more detailed, because the plan had to be prepared in a short time.

#### Ministry of Health of the Republic of Lithuania:

- Recommendations in the field of health have been repeated over the years. They are mostly related to primary health care and prevention.
- In terms of investment, this does not necessarily mean lots of funds for these areas. Priorities are determined according to specific conditions and needs. They may change as the situation in the country changes.
- Social dialogue is a very important process – it is not perfect in Lithuania, because the circle of interests is very wide and it is difficult to take everyone into account.
- During the preparation of the New Generation Lithuania plan, the dialogue was perhaps not very deep due to the lack of time, but there were certainly a lot of consultations with social partners.
- We have a new Lithuanian strategic management methodology, which requires detailed analysis before choosing priorities; for this purpose, detailed consultations with social partners are carried out.
- The tool for measuring progress is a particularly inclusive process, as the requirement was to clarify the root causes and set priorities.
- An excellent example is Lithuania's Vision 2050, which was widely consulted in various formats during its preparation.

#### European Semester Officer of the EC Representation in Lithuania:

- The recommendations are in line with the country's interests, and significant resources are invested in this process. The opinion of the social partners is extremely important.
- If an area receives sufficient attention in the national recovery plans, no recommendations are made for that area, for example, there is no recommendation for improving education because it is included in the national plan.
- Regarding the effectiveness of country-specific recommendations, only a small number of recommendations are assessed as fully or significantly implemented, primarily because the recommendations are not binding, and secondly, because the reforms cannot be implemented in one year – it is a long-term process.
- The RRF gave a new impetus to the implementation of the recommendations: there were more incentives to implement them.



## Discussion conclusions

- The European Semester is only part of the entire process of national economic and investment reforms.
- We heard opinions that the recommendations are not always relevant and respond to new challenges.
- We would like to see country-specific recommendations that better reflect the actual situation of the countries; timely and relevant data are missing.
- In the case of the RRF, we heard an assessment that micromanagement killed the result, and that the objectives set were not always effectively achieved due to changed circumstances.
- We heard from social partners and civil society that the recommendations are targeted and relevant, but some aspects of the social field are not adequately addressed.
- The issue of dialogue and feedback is extremely relevant for civil society. Extensive consultation processes are under way, but civil society does not always have the opportunity to effectively and meaningfully engage in them. Consultations regarding specific targeted measures would be much more meaningful and efficient.
- Disproportionate participation, a process that is not inclusive enough, and a lack of monitoring were mentioned (the participants shared examples of certain working groups).
- The significantly greater relevance and meaningfulness of national strategies and documents compared to the European Semester, which is characterised by certain limitations, has been emphasised on many occasions.
- It is very important to increase the competences of social partners and civil society in order to encourage a greater sense of ownership and the desire to actively and meaningfully participate and achieve results.

## Participants

- Ričardas Gaurys, European Semester Officer at the European Commission Representation in Lithuania
- Natalija Kazlauskienė, Advisor to the Prime Minister of the Government of the Republic of Lithuania
- Paulius Baniūnas, Senior Advisor at the Investment Department of the Ministry of Finance of the Republic of Lithuania
- Aurimas Antanaitis, Chief Advisor at the Ministry of Economy and Innovation of the Republic of Lithuania
- Enrikas Etneris, Project Manager at the Strategic and Financial Management Division of the Ministry of Energy of the Republic of Lithuania
- Rita Žemaitytė-Tack, Senior Advisor for the International Cooperation Unit of the Ministry of Social Security and Labour of the Republic of Lithuania
- Audra Mikalauskaitė, Chief Advisor for the Horizontal Policy and Project Management Group of the Ministry of Social Security and Labour of the Republic of Lithuania
- Vilmantė Germanavičienė, representative of the Ministry of Education, Science and Sport of the Republic of Lithuania
- Raimonda Janonienė, Director of the Strategic Management Department of the Ministry of Health of the Republic of Lithuania
- Loreta Maskaliovienė, Deputy Minister of Transport and Communications of the Republic of Lithuania
- Monika Grigalauskiene, representative of the Association Investors' Forum
- Eglė Stonkutė, economist and analyst at LPK
- Asta Rinkevičiūtė, Director of the Communications Department of LPK
- Inga Ruginienė, President of the Lithuanian Trade Union Confederation (LPSK)
- Aušra Januškevičiūtė, international relations specialist at LPSK
- Ričardas Garuolis, Deputy of the Lithuanian Trade Union (LPS) Solidarumas
- Jovita Pretzsch, Deputy of LTU Solidarumas

- Virginija Labunskaitė, representative of LTU Solidarumas
  - Judita Akromienė, Director of the National Education NGO Network
  - Gaja Shavelė, Director of the National NGO Coalition
  - Aistė Adomavičienė, Head of the Anti Poverty Network
  - Dovilė Juodkaitė, member of the EESC, President of the Lithuanian Forum of Disability Organizations
  - Gintaras Morkis, member of the EESC, Deputy Director-General of the Lithuanian Confederation of Industrialists (LPK) (event moderator)
  - Marius Vaščega, Head of the European Commission Representation in Lithuania
  - Luca Jahier, President of the EESC's European Semester Group
  - Kristina Krupavičienė, member of the EESC, Chair of the Lithuanian Trade Union Solidarumas
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