House of Commons
European Scrutiny Committee

European Semester 2017

Twenty-seventh Report of Session 2016–17

Documents considered by the Committee on 18 January 2017, including the following recommendations for debate:

European Semester 2017

Eurozone draft budgetary plans: overall assessment

Report, together with formal minutes

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Notes

Numbering of documents

Three separate numbering systems are used in this Report for European Union documents:

Numbers in brackets are the Committee's own reference numbers.

Numbers in the form "5467/05" are Council of Ministers reference numbers. This system is also used by UK Government Departments, by the House of Commons Vote Office and for proceedings in the House.

Numbers preceded by the letters COM or SEC or JOIN are Commission reference numbers.

Where only a Committee number is given, this usually indicates that no official text is available and the Government has submitted an "unnumbered Explanatory Memorandum" discussing what is likely to be included in the document or covering an unofficial text.

Abbreviations used in the headnotes and footnotes

AFSJ	Area of Freedom Security and Justice
CFSP	Common Foreign and Security Policy
CSDP	Common Security and Defence Policy
ECA	European Court of Auditors
ECB	European Central Bank
EEAS	European External Action Service
EM	Explanatory Memorandum (submitted by the Government to the Committee)*
EP	European Parliament
EU	European Union
JHA	Justice and Home Affairs
OJ	Official Journal of the European Communities
QMV	Qualified majority voting
SEM	Supplementary Explanatory Memorandum
TEU	Treaty on European Union
TFEU	Treaty on the Functioning of the European Union

Euros

Where figures in euros have been converted to pounds sterling, this is normally at the market rate for the last working day of the previous month.

Further information

Documents recommended by the Committee for debate, together with the times of forthcoming debates (where known), are listed in the European Union Documents list, which is published in the House of Commons Vote Bundle each Monday, and is also available on the parliamentary website. Documents awaiting consideration by the Committee are listed in "Remaining Business": www.parliament.uk/escom. The website also contains the Committee's Reports.

*Explanatory Memoranda (EMs) and letters issued by the Ministers can be downloaded from the Cabinet Office website: http://europeanmemoranda.cabinetoffice.gov.uk/.

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EU Economic Governance: The European Semester for 2017: Introduction

The 2017 cycle of the European Semester

The European Semester has become a key element in the EU's efforts to promote effective economic governance through EU-level mutual monitoring and benchmarking. In this Report we consider 26 documents directly or indirectly relevant to the opening stage of the 2017 European Semester, some of which we are recommending for debate in European Committee B. This introduction sets out the history and background to the European Semester process.

The efficacy of the European Semester process is important to the UK for the following reasons:

- the economic health of a major trading partner will always be a key UK interest;
- it provides assessments of the economic health of individual countries and the EU as a whole; and
- it gives an external assessment of the UK's own economic health to add to other assessments such as those of the IMF and the OECD.

A debate would enable Members to consider what value the European Semester process is having for the EU generally, the eurozone and the UK. They might also wish to explore how the UK might continue to influence efforts to ensure the economic health of the EU, which will remain a major trading partner after Brexit.

The Stability and Growth Pact

The Stability and Growth Pact adopted by the European Council in June 1997 emphasised the obligation of Member States to avoid excessive government deficits. Such deficits are defined as the ratio of a planned or actual deficit to GDP at market prices in excess of a "reference value" of 3%. Member States with public debt (debt of central, regional and local government and social security funds) above 60% of GDP are required also to reduce that debt towards a level below 60% at a satisfactory pace.

The Pact also requires each Member State to strive towards a Medium Term budgetary Objective (MTO). The MTO is a budgetary position close to balance or in surplus over a complete business cycle (that is a cyclically-adjusted budget balance corrected for one-off and temporary measures). Member States are to move to their MTOs at a rate of 0.5% of GDP annually.

Each year the Council issues an Opinion on the updated Stability or Convergence Programme of each Member State. (eurozone Member States have Stability Programmes, others Convergence Programmes.) These Opinions, which are not binding on Member States, are based on recommendations from the Commission. The economic content of the programmes is assessed with reference to the Commission's current economic forecasts. If a Member State's programme is found wanting, including in relation to the deficit and debt, it may be invited by the Council, in a Recommendation, to make adjustments to its economic policies, though such Recommendations are likewise not binding on Member States. This whole procedure is essentially the Stability and Growth Pact's preventative arm.

In addition, the Pact also has a dissuasive or corrective arm involving action in cases of an excessive government deficit in a Member State—the Excessive Deficit Procedure. This procedure consists of Commission reports followed by a stepped series of Council Recommendations (the final two steps do not apply to non-eurozone Member States). Failure to comply with the final stage of Recommendations allows the Council to:

- require publication of additional information by the Member State concerned before issuing bonds and securities;
- invite the European Investment Bank to reconsider its lending policy for the Member State concerned;
- require a non-interest-bearing deposit from the Member State concerned whilst its deficit remains uncorrected; or
- impose appropriate fines on the Member State concerned.

The Stability and Growth Pact has not always been applied rigorously to non-compliant dominant Member States.

The Europe 2020 Strategy

The Lisbon Strategy, also known as the Lisbon Agenda or Lisbon Process, was an action and development plan devised in 2000, for the economy of the EU between 2000 and 2010. Its aim was to make the EU "the most competitive and dynamic knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion", by 2010. It is generally accepted that most of its goals were not achieved.

In 2010 a Europe 2020 Strategy was adopted in place of the Lisbon Strategy. It is intended to promote smart, sustainable and inclusive growth, the aim being to improve the competitiveness of the EU whilst maintaining its social market economy model and improving significantly the effective use of its resources. The strategy has five major targets to be achieved by 2020:

- increasing the employment rate of the population aged 20–64 to at least 75%;
- investing 3% of GDP in research and development;
- reducing greenhouse gas emissions by at least 20%, increasing the share of renewable energies to 20% and increasing energy efficiency by 20%;
- reducing the school dropout rate to less than 10% and increasing the proportion of tertiary degrees to at least 40%; and
  - reducing the number of people threatened by poverty or social exclusion by 20 million.

These targets are supported by seven flagship initiatives:

- the Innovation Union;
- Youth on the move;
- the Digital Agenda for Europe;
- a resource-efficient Europe;
- an industrial policy for the globalisation era;
- the agenda for new skills and jobs; and
- the European Platform against Poverty.

The Europe 2020 Strategy is implemented through six broad economic policy guidelines for Member States and the EU and four guidelines for employment policies of Member States, replacing those of the Lisbon Strategy. Member States have been invited to translate the strategy targets into national targets. Every year, in April, they publish their National Reform Programmes in which they set out the actions undertaken to achieve these national targets.

In March 2015 the Commission published the results of its public consultation on a mid-term review of the Europe 2020 Strategy. It reported four main outcomes:

- the scope and the objectives of the Strategy were considered to be relevant, with 86% of respondents considering that the EU needed a strategy for jobs and growth;
- the current five headline targets were relevant and mutually reinforcing, with 87% considering them a useful tool—there was strong support for keeping them, with 78% of respondents considering them sufficient, and with no clear hierarchy emerging from the consultation;
- the flagship initiatives had served their purpose, although a significant number of respondents gave a mixed assessment; and
- improving delivery and implementation would be desirable—40% of respondents said that the 2020 Strategy had not made a difference. The Commission argued that successful implementation had been affected by weaknesses in awareness, involvement and enforcement.

The European Semester

In 2010 the EU created an additional instrument for preventive surveillance of the economic and fiscal policies of Member States—the European Semester, an annual cycle of economic policy coordination. It is an EU-level framework for coordinating and assessing Member States' structural reforms and fiscal/budgetary policy and for monitoring and addressing macroeconomic imbalances. It attempts to align their reporting cycles for the various programmes, so tying together consideration of National Reform Programmes and Stability and Convergence Programmes. Elements of the cycle focus particularly on the eurozone and its Member States. The first annual cycle was in 2011.

The European Semester process has been refined since it began. Most recently the Commission has decided that the cycle will be sequenced in two successive phases, an EU phase from November to February and a national phase from February to June, that eurozone recommendations be published alongside the introductory Annual Growth Survey and that it will put a stronger focus on employment and social performance, including in the Macroeconomic Imbalance Procedure.

The key stages in the annual cycle are now as follows:

- in November or December, the Commission issues its Annual Growth Survey and a draft Joint Employment Report, which set out EU priorities for the coming year to boost growth and job creation;
- in February, the Council and the European Parliament discuss the Annual Growth Survey and the draft Joint Employment Report;
- in March, the European Council issues EU guidance for national policies on the basis of the Annual Growth Survey and the draft Joint Employment Report;
- in April, Member States submit their Stability or Convergence Programmes and National Reform Programmes;
- in May, the Commission assesses these programmes;
- in June, the Commission provides Country-Specific Recommendations as appropriate, which the European Council discusses and endorses;
- in July, the Council formally adopts the Country-Specific Recommendations;
- in October, eurozone Member States present their Draft Budgetary Plans for the following year; and
- in November or December the Commission publishes its assessments of those plans.

The Macroeconomic Imbalance Procedure

In autumn 2011 a Macroeconomic Imbalance Procedure was introduced as part of the response to the economic and financial crisis. Its processes are a slightly separate part of the European Semester and it is designed to prevent and correct risky macroeconomic developments, such as high current account deficits, unsustainable external indebtedness and housing bubbles. The procedure aims to reinforce the monitoring and surveillance of macroeconomic policies in the EU, particularly in relation to the eurozone.

The first step of the annual cycle is the Commission's Alert Mechanism Report, published at the same time as the Annual Growth Survey. The report is based on a scoreboard of economic indicators and the Commission identifies the Member States and issues which require In-Depth Reviews for further economic analysis. The In-Depth Reviews are published in the following spring. In the case of Member States where an imbalance exists, but is not of an excessive nature, the follow-up to the In-Depth Review will take place under the preventive arm of the Macroeconomic Imbalance Procedure. This means that a relevant recommendation would be integrated in the package of proposals for Country Specific Recommendations, in the Semester process.

If the Commission in its In-Depth Review were to find existence of an excessive imbalance, this might trigger an Excessive Imbalance Procedure under the corrective arm of the Macroeconomic Imbalance Procedure. In a case where an excessive imbalance was deemed to be jeopardising the proper functioning of the Economic and Monetary Union the Commission could recommend that the Council initiate the Excessive Imbalance Procedure. The Member State would have to submit a "corrective action plan" to the Council and Commission. Surveillance would subsequently be stepped up by the Commission through regular progress reports from the Member State concerned. Enforcement of the Excessive Imbalance Procedure is backed by sanctions for eurozone Member States (up to 0.1% of GDP), if they repeatedly fail to take agreed action or to deliver a sufficient "corrective action plan". (This provision has not yet be used against any Member State.)

1 European Semester 2017

Committee's assessment	Politically important
Committee's decision	Not cleared from scrutiny; recommended for debate in European Committee B
Document details	(a) Commission Communication: Annual Growth Survey 2017; (b) Proposed Council Recommendation on the economic policy of the eurozone; (c) Commission Report: Alert Mechanism Report 2017; (d) Commission Communication about a fiscal stance for the eurozone; (e) Draft Joint Employment Report accompanying the Commission's Annual Growth Survey 2017; (f) Commission Staff Working Document about the proposed Council Recommendation on the economic policy of the eurozone
Legal base	(a) and (c)-(f) —; (b) Articles 121(2) and 136 TFEU, —, QMV
Department	HM Treasury
Document Numbers	(a) (38286), 14357/16, COM(16) 725; (b) (38287), 14358/16, COM(16) 726; (c) (38288), 14359/16 + ADD 1, COM(16) 728; (d) (38289), 14630/16 + ADD 1, COM(16) 727; (e) (38293), 14364/16, COM(16) 729; (f) (38320), 14808/16, SWD(16) 391

Summary and Committee's conclusions

1.1 The 2017 European Semester cycle begins, as usual, with the Annual Growth Survey by the Commission. This year it proposes three priorities: boosting investment, pursuing structural reforms, and responsible fiscal policies. The Survey is accompanied, as also is usual, by a draft Joint Employment Report which is based on employment and social developments in the current European Economic Forecast.

1.2 The Commission's annual Alert Mechanism Report is another important document for the start of the European Semester cycle. This is the first stage of the European Semester's Macroeconomic Imbalances Procedure and identifies countries which require a more detailed assessment. In this Report for the 2017 European Semester the Commission concludes, on the basis of assessing a range of economic indicators, that it needs to report to the Council in the spring of 2017 on the outcome of In Depth Reviews of the economic situation of 13 Member States.

1.3 The Annual Growth Survey is also accompanied by a Commission proposal for a Council Recommendation on the economic policy of the eurozone, so that common challenges are reflected in later country-specific action. The Commission proposal is supported by a Staff Working Document and accompanied by a Commission Communication proposing a positive fiscal stance for the eurozone.

1.4 The Government tells us that it:

- welcomes the Annual Growth Survey and broadly agrees with the priorities identified in it;
- is content with the thrust of the draft Joint Employment Report;
- supports the Commission's conclusion in the Alert Mechanism Report that no In Depth Review is required for the UK;
- supports, in relation to the proposed Council Recommendation on the economic policy of the eurozone and the accompanying Commission Staff Working Document, the enhanced EU-level surveillance for the eurozone as an important contribution to stability and growth; and
- notes the Commission's recommendation for a more expansionary aggregate eurozone fiscal stance.

1.5 **These six documents are central to the first, EU, phase of the Semester cycle. The economic health of the eurozone is important to the UK while it is a Member State, and will remain so after it leaves the Union. Accordingly, we recommend that they be debated, together with other documents we discuss elsewhere in this Report, in European Committee B. This debate should take place before these documents are considered by the Council and the Spring 2017 European Council. As we said in the introduction to this Report a debate will enable Members to consider what value the European Semester process is having for the EU generally, the eurozone and the UK. They might also wish to explore how the UK might continue influence promotion of the economic health of the EU, the aforesaid major trading partner after Brexit.**

Full details of the documents

(a) Commission Communication: Annual Growth Survey 2017: (38286), 14357/16, COM(16) 725; (b) Proposed Council Recommendation on the economic policy of the euro area: (38287), 14358/16, COM(16) 726; (c) Commission Report: Alert Mechanism Report 2017 (prepared in accordance with Articles 3 and 4 of Regulations (EU) No. 1176/2011 on the prevention and correction of macroeconomic imbalances): (38288), 14359/16 + ADD 1, COM(16) 728; (d) Commission Communication: Towards a positive fiscal stance for the euro area: (38289), 14630/16 + ADD 1, COM(16) 727; (e) Draft Joint Employment Report accompanying the Communication from the Commission on the Annual Growth Survey 2017: (38293), 14364/16, COM(16) 729; (f) Commission Staff Working Document: Report on the Euro Area concerning the proposed Council Recommendation on the economic policy of the euro area: (38320), 14808/16, SWD(16) 391.

Background

1.6 The Commission published the first tranche of European Semester documents for the 2017 cycle on 16 November 2016. The package consists of:

- the 2017 Annual Growth Survey, document (a), which sets out the Commission's priorities for action at national and EU level over the next 12 months to support economic growth and employment;
- an accompanying draft Joint Employment Report, document (e);
- the 2017 Alert Mechanism Report, document (c), which is the starting point of the annual cycle of the Macroeconomic Imbalances Procedure;
- a proposed Council Recommendation on the economic policy of the eurozone, document (b);
- a Commission Staff Working Document accompanying the proposed eurozone Council Recommendation, document (f); and
- a Commission Communication on a positive fiscal stance for the eurozone, document (d).

The Annual Growth Survey

1.7 In its introductory notes, the Commission:

- highlights that creating more jobs, growth and investment for the EU is its highest priority;
- notes that the Commission President's "State of the Union" address of 14 September 2016[1] underlined the need for the EU to strengthen its economic recovery and invest strongly in its youth and jobseekers, as well as in its start-ups and SMEs and that the Commission's Letter of Intent of the same day[2] highlighted the need to achieve an economic recovery which benefits all;
- asserts that there are a number of positive developments in the EU, signalling the resilience and recovery of the EU, despite the broader uncertainty worldwide;
- notes that all Member States are growing again, the employment rate has increased, the average public deficit level, which was over 6% for the eurozone a few years ago, is below 2% this year and will continue to reduce, and levels of government debt have stabilised and are expected to decrease; and
- believes, however, that the recovery remains fragile—productivity growth rates remain below full potential and investment levels remain below pre-crisis levels, with unemployment too high in many parts of the EU.

1 See https://ec.europa.eu/priorities/state-union-2016_en.

2 Ibid.

1.8 The Commission then sets out its priorities for 2017:

Priority 1: Boosting investment

- the Commission sees access to finance as crucial for businesses to grow and innovate, and claims that further development of the Capital Markets Union can provide the conditions for equal access to finance for all firms across Member States;
- it also calls for a swift adoption of the Commission's proposal to extend the European Fund for Strategic Investments to reach €630 billion by 2022;[3]
- it says that it will tackle barriers to investment by deepening the single market;

Priority 2: Pursuing structural reforms

- the Commission calls for Member States to invest more in creating supportive conditions for greater labour market participation, more quality jobs and effective training and upskilling, noting that the influx of migrants, including refugees, is a strategic challenge in this regard;
- it calls also for Member States to ensure that their social protection systems improve the promotion of labour market participation and provide adequate employment security and income replacement;

Priority 3: Responsible fiscal policies

- the Commission calls for more effort to bring about a positive fiscal stance for the eurozone as a whole;
- it notes that the low funding cost environment makes it an ideal time for Member States to frontload public investments; and
- it calls for additional steps to consolidate recent pension system reforms in a majority of Member States.

The draft Joint Employment Report

1.9 The Commission's draft Joint Employment Report (JER) this year speaks of further improvement in employment across the EU, but with divergence evident among Member States. The Commission says that if this trend continues, the EU 75% employment rate target of the Europe 2020 strategy may be met. The JER:

- again emphasizes the persisting need for structural reforms in many Member States, while noting the success of reforms in others;
- says that youth and long-term unemployment remain important challenges, although there have been successes with the former;

3 (38074), 12201/16 + ADDs 1–3: see Twenty-fifth Report HC 71-xxiii (2016–17), chapter 15 (11 January 2017), Nineteenth Report HC 71-xvii (2016–17), chapter 8 (23 November 2016) and Fifteenth Report HC 71-xiii (2016–17), chapter 5 (26 October 2016).

- welcomes progress in training and education despite remaining inequalities in educational update and outcomes, wage moderation, and the development of modern social protection systems to improve coverage and adequacy of social benefits; and

- identifies as areas for future attention as female participation in the labour market, ensuring employment-friendly taxation and integration of refugees into EU labour markets.

The Alert Mechanism Report

1.10 In the Alert Mechanism Report the Commission identifies, in the context of the Macroeconomic Imbalance Procedure (MIP), Member States for which In Depth Reviews should be undertaken to assess whether they are affected by imbalances in need of policy action. The Member States concerned are Bulgaria, Croatia, Cyprus, Finland, France, Germany, Ireland, Italy, the Netherlands, Portugal, Slovenia, Spain and Sweden. The Commission is clear that it will not at this stage carry out further analyses in the context of the MIP for the other Member States, including the UK.

1.11 The UK exited MIP surveillance in 2016. The Commission's country-specific commentary on the UK notes that in the previous round of the MIP, no macroeconomic imbalances were identified. In the updated scoreboard, a number of indicators for the UK are beyond the indicative threshold, namely the current account deficit, real effective exchange rate, private sector debt and government debt. The Commission highlights some issues relating to the UK's housing market and the external side of the economy, but notes that strong employment growth continues to be accompanied by falling long term and youth unemployment.

The proposed Council Recommendation on the economic policy of the eurozone and the accompanying Commission Staff Working Document

1.12 The Commission's suggestions for the common eurozone area policies to be reflected in country-specific action (as spelt out in the documents described in chapter 3 of this Report) are:

- pursue policies that support growth in the short and the long term, and improve adjustment capacity, rebalancing and convergence;

- deliver an overall positive fiscal stance contributing to a balanced policy mix, to support reforms and to strengthen the recovery through a fiscal expansion of up to 0.5% of GDP in 2017;

- implement reforms that promote job creation, social fairness and convergence, underpinned by an effective social dialogue;

- make progress on Banking Union by agreeing on a European Deposit Insurance Scheme, on the basis of the Commission's proposed Regulation,[4] and start work on the common backstop for the Single Resolution Fund[5] to make it operational before the end of the Fund's transitional period; and

- accelerate initiatives to complete the Economic and Monetary Union and implement the remaining actions under the first stage of the Five Presidents' Report on completing the Economic and Monetary Union.[6]

1.13 In its Staff Working document the Commission:

- reports that the economic recovery in the eurozone is continuing, but remains fragile;

- calls, in response, for a coordinated approach to macroeconomic policies and structural reforms;

- notes that challenges remain within the eurozone for developing structural reforms, addressing investment and debt, securing rebalancing, ensuring an appropriate fiscal stance for the eurozone, improving the governance of public finances, and completing the Capital Markets Union and Economic and Monetary Union; and

- reviews the implementation of the 2016 eurozone recommendations, finding that some or limited progress has been made on all of them.

The Commission Communication on a positive fiscal stance for the eurozone

1.14 In September 2016 the Commission announced that it would promote a positive fiscal stance for the eurozone in support of the monetary policy of the European Central Bank. This Communication aims to explain the rationale behind the fiscal aspects of the eurozone recommendations. The Commission:

- calls for a well-designed active fiscal policy, combined with reforms and support to investment, to reduce unemployment and lift the medium-term potential growth of the eurozone;

- notes that recent initiatives at EU level, notably the Investment Plan for Europe,[7] are contributing to maximising the impact of public finances on the real economy;

- notes that pursuing a positive fiscal stance at the eurozone level comes with economic and legal constraints; and

4 (37332), 14649/15 (37705), 8186/16: see Tenth Report HC 71-viii (2016–17), chapter 5 (7 September 2016) and Fifteenth Report HC 342-xiv (2015–16), chapter 7 (16 December 2015).

5 See https://srb.europa.eu/en/content/single-resolution-fund.

6 (36946), —: see First Report HC 342–i (2015–16), chapter 4 (21 July 2015).

7 (38074), 12201/16 + ADDs 1–3: see Twenty-fifth Report HC 71-xxiii (2016–17), chapter XX (11 January 2017), Nineteenth Report HC 71-xvii (2016–17), chapter 8 (23 November 2016) and Fifteenth Report HC 71-xiii (2016–17), chapter 5 (26 October 2016).

- says that it will come up with further orientations on the future of the Economic and Monetary Union as part of its White Paper on the future of the EU in March 2017.

The Government's view

1.15 In his Explanatory Memorandum of 5 December 2016 the Chief Secretary to the Treasury (Mr David Gauke) comments on the documents as follows:

The Annual Growth Survey

- no sections of the document are directed specifically at the UK;
- the Government welcomes the publication and broadly agrees with the priorities identified in it of re-launching investment, pursuing structural reforms to modernise Member State economies, and pursuing responsible fiscal policies;

The draft Joint Employment Report

- the Government is pleased to see that the draft Report maintains emphasis on growth and employment as the key elements of economic recovery, and the need not only to develop structural reforms but also to persist and implement them;
- it welcomes the attention that is given to the need to increase skills and training, to ensure that social protection systems can support employment and to ensure further gains in the participation of women in the labour market;

The Alert Mechanism Report

- the Government supports the Commission's conclusion that no In Depth Review is required for the UK;

The proposed Council Recommendation on the economic policy of the eurozone and the accompanying Commission Staff Working Document

- the Government supports enhanced EU-level surveillance for the eurozone as an important contribution to stability and growth; and

The Commission Communication on a positive fiscal stance for the eurozone

- the Government notes the Commission's recommendation for a more expansionary aggregate eurozone fiscal stance.

Previous Committee Reports

None.

2 Eurozone draft budgetary plans: overall assessment

Committee's assessment	Politically important
Committee's decision	Not cleared from scrutiny; recommended for debate in European Committee B with other European Semester documents.
Document details	Commission Communication: overall assessment of eurozone 2017 Draft Budgetary Plans
Legal base	—
Department	HM Treasury
Document Number	(38282), EG 23/16, COM(16) 730

Summary and Committee's conclusions

2.1 Eurozone Member States submit Draft Budgetary Plans under Stability and Growth Pact rules and these are amongst the preparatory documents for the annual cycle of the European Semester. In addition the Commission publishes this summary of its assessment of the 2017 Draft Budgetary Plans submitted by 18 eurozone Member States. The Government tells us that the document has no direct implications for the UK. We note that the Commission expects a continuing decrease in the aggregate eurozone deficit. Nonetheless, recovery remains fragile. Real GDP growth is expected to weaken from 1.7% to 1.5% and 13 eurozone member states are subject to In-Depth Reviews.

2.2 **In chapter 1 of this Report we recommend for debate in European Committee B key initial European Semester documents for 2017. This document summarises relevant background to that debate and we accordingly recommend it be joined to that debate.**

Full details of the document

Commission Communication: 2017 Draft Budgetary Plans: Overall Assessment: (38282), EG 23/16, COM(16) 730.

The document

2.3 The Draft Budgetary Plans of eurozone Member States submitted under Stability and Growth Pact (SGP) rules are amongst the preparatory documents for the annual European Semester cycle. In this Communication the Commission summarises its assessment of the 2017 Draft Budgetary Plans submitted by 18 of the eurozone Member States (excluding Greece which is under a macroeconomic adjustment plan), which are covered in chapter 3 of this Report. In line with SGP rules the Commission has assessed these plans and the overall budgetary situation and fiscal stance in the eurozone as a whole.

2.4 The Commission has two objectives with the Communication. First, it provides an aggregate picture of budgetary policy at euro area level. Secondly, it provides an overview of the Draft Budgetary Plans at country level, explaining the Commission's approach in assessing them, specifically, for compliance with the requirements of the SGP. The assessment is differentiated according to whether a Member State is in the preventive or the corrective arm of the SGP and it also takes into account the SGP requirements in relation to the level and dynamics of government debt.

2.5 The Communication has four annexes:

- Annex 1 features country-specific assessments of Member State Draft Budgetary Plans;
- Annex 2 outlines the methodology and assumptions underpinning the Commission's autumn 2016 forecast;
- Annex 3 features some sensitivity analysis; and
- Annex 4 features graphs and tables.

2.6 In the Communication the Commission:

- assesses that the Member States' plans imply a continuing decrease in the aggregate headline budget deficit in the eurozone in the context of a recovery that remains fragile and with a number of downside risks;
- projects real GDP growth to weaken slightly from 1.7% in 2016 to 1.5% in 2017, though the negative output gap is expected to continue to narrow to 0.5% of potential GDP;
- projects that the aggregate debt-to-GDP ratio will decrease for the second year in a row to 90% in 2016 and fall further to 89% in 2017, which is in line with the plans set out in the Draft Budgetary Plans;
- says that at the aggregate level, the Draft Budgetary Plans and the Commission's forecast point to the eurozone fiscal stance being broadly neutral over the period 2014–2017, continuing the pause of fiscal consolidation that has occurred since 2013—the Commission has published a Communication recommending a positive fiscal stance for the eurozone for 2017–18, which we cover in chapter 1 of this Report;
- assesses that no Draft Budgetary Plan for 2017 is in particularly serious non-compliance with the requirements of the SGP; and
- finds that in several cases, however, the planned fiscal adjustments fall short of what is required by the SGP, or risk doing so.

The Government's view

2.7 In his Explanatory Memorandum of 6 December 2016 the Chief Secretary to the Treasury (Mr David Gauke), noting that the Commission discusses eurozone Member States only, says that it has no direct implications for the UK.

Previous Committee Reports

None.

3 Draft 2017 budgetary plans of eurozone Member States

Committee's assessment	Politically important
Committee's decision	Cleared from scrutiny
Document details	Commission Opinions on the draft 2017 budgetary lands of (a) Italy; (b) Ireland; (c) Lithuania; (d) France; (e) Finland; (f) Luxembourg; (g) Latvia; (h) Spain; (i) Estonia; (j) Malta; (k) Cyprus; (l) the Netherlands; (m) Portugal; (n) Germany; (o) Slovenia; (p) Slovakia; (q) Belgium; (r) Austria
Legal base	—
Department	HM Treasury
Document Numbers	(a) (38266), 16586/13, C(16) 8009; (b) (38267), —, C(16) 8008; (c) (38268), —, C916) 8010; (d) (38269), —, C(16) 8007; (e) (38270), —, C(16) 8006; (f) (38271), —, C(16) 8011; (g) (38272), —, C(16) 8012; (h) (38273), —, C(16) 8005; (i) (38274), —, C(16) 8004; (j) (38275), —, C(16) 8013; (k) (38276), —, C(16) 8002; (l) (38277), —, C(16) 8014; (m) (38278), —, C(16) 8015; (n) (38279), —, C(16) 8003; (o) (38280), —, C(16) 8016; (p) (38281), —, C(16) 8017; (q) (38283), —, C(16) 8001; (r) (38284), —, C(16) 8000

Summary and Committee's conclusions

3.1 In chapter 1 of this Report we recommend for debate in European Committee B key initial European Semester documents for 2017.

3.2 In these documents the Commission gives its Opinions on the Draft Budgetary Plans for 2017 of 18 eurozone Member States which are submitted under Stability and Growth Pact rules.

3.3 Although it notes that these documents have no direct implications for the UK, the Government helpfully summarises the Opinions for us.

3.4 **Whilst clearing these documents from scrutiny we draw them to the attention of the House as background to the 2017 European Semester.**

Full details of the documents

(a) Commission Opinion of 16.11.2016 on the Draft Budgetary Plan of Italy: (38266), —, C(16) 8009; (b) Commission Opinion of 16.11.2016 on the Draft Budgetary Plan of Ireland: (38267), —, C(16) 8008; (c) Commission Opinion of 16.11.2016 on the Draft Budgetary Plan of Lithuania: (38268), —, C916) 8010; (d) Commission Opinion of 16.11.2016 on the Draft Budgetary Plan of France: (38269), —, C(16) 8007; (e) Commission Opinion of 16.11.2016 on the Draft Budgetary Plan of Finland: (38270), —, C(16) 8006; (f) Commission Opinion of 16.11.2016 on the Draft Budgetary Plan of Luxembourg: (38271),

—, C(16) 8011; (g) Commission Opinion of 16.11.2016 on the Draft Budgetary Plan of Latvia: (38272), —, C(16) 8012; (h) Commission Opinion of 16.11.2016 on the Draft Budgetary Plan of Spain: (38273), —, C(16) 8005; (i) Commission Opinion of 16.11.2016 on the Draft Budgetary Plan of Estonia: (38274), —, C(16) 8004; (j) Commission Opinion of 16.11.2016 on the Draft Budgetary Plan of Malta: (38275), —, C(16) 8013; (k) Commission Opinion of 16.11.2016 on the Draft Budgetary Plan of Cyprus: (38276), —, C(16) 8002; (l) Commission Opinion of 16.11.2016 on the Draft Budgetary Plan of the Netherlands: (38277), —, C(16) 8014; (m) Commission Opinion of 16.11.2016 on the Draft Budgetary Plan of Portugal: (38278), —, C(16) 8015; (n) Commission Opinion of 16.11.2016 on the Draft Budgetary Plan of Germany: (38279), —, C(16) 8003; (o) Commission Opinion of 16.11.2016 on the Draft Budgetary Plan of Slovenia: (38280), —, C(16) 8016; (p) Commission Opinion of 16.11.2016 on the Draft Budgetary Plan of Slovakia: (38281), —, C(16) 8017; (q) Commission Opinion of 16.11.2016 on the Draft Budgetary Plan of Belgium: (38283), —, C(16) 8001; (r) Commission Opinion of 16.11.2016 on the Draft Budgetary Plan of Austria: (38284), —, C(16) 8000.

The documents

3.5 The Draft Budgetary Plans of eurozone Member States are amongst the preparatory documents for the annual European Semester cycle. Regulation (EU) No. 473/2013 sets out provisions for enhanced monitoring of budgetary policies in the eurozone for ensuring that national budgets are consistent with the economic policy guidance issued in the context of the Stability and Growth Pact. The Regulation requires Member States to submit annually to the Commission and to the Eurogroup a Draft Budgetary Plan, presenting by 15 October the main aspects of the budgetary situation of the general government and its subsectors for the forthcoming year. The Commission then gives an Opinion of each Member State's Draft Budgetary Plan.

3.6 The Commission has now presented its Opinions on the Draft Budgetary Plans for 2017 of 18 eurozone Member States. Greece is excluded, as it is under a macroeconomic adjustment programme. Each Opinion is based on an accompanying Commission Staff Working Document analysing the Draft Budgetary Plan. Brief summaries of the Opinions follow.

3.7 Italy, which is currently under the preventive arm of the Stability and Growth Pact and subject to the transitional debt rule, presented its plan on 18 October 2016. The Commission says that the plan is at risk of non-compliance with the provisions of the Stability and Growth Pact. In particular, according to the Commission 2016 Autumn Forecast there is a risk of significant deviation from the required adjustment path towards the Medium Term Objective in 2017. The Commission has invited the Italian authorities to take the necessary measures within the national budgetary process to ensure that the 2017 budget will be compliant with the Stability and Growth Pact.

3.8 Ireland, which is currently under the preventative arm of the Stability and Growth Pact and subject to the transitional debt rule, presented its plan on 17 October 2016. The Commission says that the plan is broadly compliant with the provisions of the Stability and Growth Pact. The government's decision to use a large part of volatile, still uncertain, tax intakes to allocate additional expenditure in 2016 is not in line with Council Recommendations which ask Ireland to use windfall gains from better-than-expected economic and financial conditions to accelerate deficit and debt reduction.

3.9 Lithuania, which is currently under the preventive arm of the Stability and Growth Pact, presented its plan on the basis of unchanged policies on 17 October 2016. The Commission says that the plan is at risk of non-compliance with the provisions of the Stability and Growth Pact. According to the Commission 2016 Autumn Forecast, a significant deviation from the Medium Term Objective is to be expected in 2017. Now that the new government has taken office, the Lithuanian authorities are invited to submit to the Commission and the Eurogroup an updated plan, at least one month before the draft budget law is planned to be adopted by the national parliament.

3.10 France, which is currently under the corrective arm of the Stability and Growth Pact, presented its plan on 14 October 2016. The Commission says that the plan is broadly compliant, as the Commission 2016 Autumn Forecast projects that the deficit will be slightly below the threshold value of 3% in 2017, although it does not expect the correction to be durable in 2018 under a no policy change scenario.

3.11 Finland, which is currently under the preventive arm of the Stability and Growth Pact, submitted an updated Stability Programme and its plan on 13 October 2015. The Commission says that the plan is at risk of non-compliance with the provisions of the Stability and Growth Pact. According to the Commission 2016 Autumn Forecast there is a risk of significant deviation from the required adjustment path towards the Medium Term Objective in 2017. In the context of this possible deviation, the Commission will take into account the considerations presented in its opinion on the plan on Finland's possible eligibility for flexibility under the Stability and Growth Pact.

3.12 Luxembourg, which is currently under the preventive arm of the Stability and Growth Pact, submitted its plan on 14 October 2016. The Commission says that the plan is compliant with the provisions of the Stability and Growth Pact.

3.13 Latvia, which is currently under the preventive arm of the Stability and Growth Pact, presented its plan on 14 October 2016. The Commission says that the plan is broadly compliant with the provisions of the Stability and Growth Pact. However, according to the Commission 2016 Autumn Forecast, a small deviation is projected over 2016 and 2017 together as the deviation in 2016 is forecast not to be fully compensated for in 2017.

3.14 Spain, which is currently under the corrective arm of the Stability and Growth Pact, presented its plan on 15 October 2016 on the basis of unchanged policies. The Commission says that the plan is at risk of non-compliance with the provisions of the Stability and Growth Pact. While acknowledging the no-policy-change nature of projections, the Commission's forecast for 2017 projects that neither the intermediate headline deficit target, nor the recommended fiscal effort will be achieved. The Commission invites Spain to submit to it and the Eurogroup an updated plan for 2017, showing compliance with the requirements set out in the Council Decision of 8 August 2016, at least one month before the draft budget law is planned to be adopted by the national parliament.

3.15 Estonia, which is currently under the preventive arm of the Stability and Growth Pact, presented its plan on 17 October 2016. The Commission says that the plan is compliant with the provisions of the Stability and Growth Pact.

3.16 Malta, which is currently under the preventive arm of the Stability and Growth Pact and subject to the transitional debt rule, submitted its plan on 17 October 2016. The Commission says that the plan is broadly compliant with the provisions of the Stability and Growth Pact.

3.17 Cyprus, which is under the preventive arm of the Stability and Growth Pact and subject to the transitional debt rule, submitted its plan on 17 October 2016. The Commission says that the plan is at risk of non-compliance with the Stability and Growth Pact. It projects a significant deviation from the Medium Term Objective in 2017. In particular, the plan for 2017 provides a fiscal relaxation without compensatory measures, which leads to a risk of significant deviation from the adjustment path towards the Medium Term Objective in 2017. The Commission has invited the Cypriot authorities to take the necessary measures within the national budgetary process to ensure that the 2017 budget will be compliant with the Stability and Growth Pact.

3.18 The Netherlands, which is currently under the preventive arm of the Stability and Growth Pact and subject to the transitional debt rule, submitted its plan on 10 October 2016. The Commission says that the plan is compliant with the provisions of the Stability and Growth Pact.

3.19 Portugal is currently under the corrective arm of the Stability and Growth Pact and could become subject to the preventive arm from 2017, if a timely and sustainable correction of the excessive deficit is achieved. The Commission says that the plan submitted on 17 October 2016 by Portugal is at risk of non-compliance with the provisions of the Stability and Growth Pact. The Commission's forecast for 2017 projects a significant deviation from the required adjustment path towards the Medium Term Objective and non-compliance with the debt reduction benchmark. It therefore invites the Portuguese authorities to take the necessary measures within the national budgetary process to ensure that the 2017 budget will be compliant with the Stability and Growth Pact.

3.20 Germany, which is currently under the preventative arm of the Stability and Growth Pact and subject to the transitional debt rule, presented its plan on 17 October 2016. The Commission says that the plan is compliant with the provisions of the Stability and Growth Pact. It says further that Germany's favourable budgetary situation should provide scope to further increase public investment in infrastructure, education and research as recommended by the Council in the context of the European Semester, as well as to cover additional expenditure related to the recent inflow of asylum seekers.

3.21 Slovenia, which is currently under the preventive arm of the Stability and Growth Pact and subject to the transitional debt rule, submitted its plan on 17 October 2016. The Commission says that the plan at risk of non-compliance with the provisions of the Stability and Growth Pact. The Commission 2016 Autumn Forecast projects a significant deviation from adjustment path towards the Medium Term Objective over 2016 and 2017 taken together.

3.22 Slovakia, which is currently under the preventive arm of the Stability and Growth Pact, submitted its plan on 12 October 2016. The Commission says that the plan is compliant with the provisions of the Stability and Growth Pact. It has invited the Slovakian authorities to implement the 2017 budget rigorously.

3.23 Belgium, which is currently under the preventative arm of the Stability and Growth Pact and is subject to the transitional debt rule, presented its plan on 17 October 2016. The Commission says that the plan is at risk of non-compliance with the provisions of the Stability and Growth Pact. According to the Commission, there is a significant risk of deviation from the required adjustment towards the Medium Term Objective.

3.24 Austria, which is currently under the preventive arm of the Stability and Growth Pact and subject to the transitional debt rule, submitted its plan on 12 October 2016. The Commission says that the plan is broadly compliant with the provisions of the Stability and Growth Pact after taking into account the current estimate of the budgetary impact in 2016 of the exceptional inflow of refugees and security measures.

The Government's view

3.25 In his Explanatory Memorandum of 6 December 2016 the Chief Secretary to the Treasury (Mr David Gauke), first recites the Government's standard mantra that until exit negotiations are concluded the UK remains a full member of the EU, that all the rights and obligations of EU membership remain in force, and that during this period the Government will continue to negotiate, implement and apply EU legislation. He then comments merely that the documents discuss eurozone Member States only, and have no direct policy or financial implications for the UK.

Previous Committee Reports

None.

4 Stability and Growth Pact

Committee's assessment	Politically important
Committee's decision	Cleared from scrutiny
Document details	(a) Proposed Council Opinion on Portugal's economic partnership programme; (b) Commission Communication about the excessive deficits of Portugal and Spain
Legal base	(a) Article 126(9) TFEU and Article 9(4) Regulation (EU) No. 473/2013, —, QMV of eurozone Member States, excluding Portugal; (b) —
Department	HM Treasury
Document Number	(a) (38290), 14643/16, COM(16) 900, (b) (38291), 14648/16 + ADD 1, COM(16) 901

Summary and Committee's conclusions

4.1 In chapter 1 of this Report we recommend for debate in European Committee B key initial European Semester documents for 2017.

4.2 In this Communication the Commission reports its assessment that both Portugal and Spain are compliant with the fiscal effort requested by August 2016 Council Decisions and that their Excessive Deficit Procedures, under the Stability and Growth Pact, should therefore be kept in abeyance at this stage. The proposed Council Opinion on Portugal's economic partnership programme, required under the Stability and Growth Pact, largely endorses, on the basis of a Commission assessment, the programme.

4.3 The Government, noting that these documents concern Spain and Portugal only, says that they have no direct implications for the UK.

4.4 **Whilst clearing these documents from scrutiny we draw them to the attention of the House as background to the 2017 European Semester.**

Full details of the documents

(a) Proposed Council Decision on the economic partnership programme presented by Portugal: (38290), 14643/16, COM(16) 900; (b) Commission Communication: Assessment of action taken by Portugal and Spain in response to the Council Decisions of 8 August 2016 giving notice to take measures for the deficit reduction judged necessary in order to remedy the situation of excessive deficit: (38291), 14648/16 + ADD 1, COM(16) 901.

The documents

4.5 Spain and Portugal are both subject to the Excessive Deficit Procedure (EDP), the corrective arm of the Stability and Growth Pact (SGP). The Council opened the EDP for Spain on 27 April 2009, with an initial deadline for correction of 2012. This deadline was extended to 2016 in a Council Recommendation on 21 June 2013, as Spain had taken effective action but adverse economic events with major implications on public finances had occurred. The Council opened the EDP for Portugal on 2 December 2009, with an initial deadline for correction of 2013. This deadline was extended to 2015 in a Council Recommendation on 21 June 2013, as Portugal had taken effective action but adverse economic events with major implications on public finances had occurred.

4.6 Spain and Portugal both missed their EDP targets for 2015. On 8 August 2016, the Council adopted Decisions giving notice to them both to take measures for the deficit reduction judged necessary in order to remedy the situation of excessive deficit. Portugal was given notice to put an end to its excessive deficit by 2016, with a general government headline deficit target of 2.5% of GDP (excluding the cost of any bank support). Spain was given notice to put an end to its excessive deficit by 2018, with general government headline deficit targets of 4.6% in 2016, 3.1% in 2017 and 2.2% in 2018. Both Member States had a deadline of 15 October 2016 to report on action taken in response to the Council Decision.

4.7 Based on these reports, the Commission has examined the budgetary strategies of Portugal and Spain to assess whether they have complied with the August 2016 Council Decisions. It its Communication, document (b), the Commission:

- says that its 2016 autumn forecast projects that Portugal will have a headline deficit of 2.7% of GDP in 2016, above the target of 2.5%, but below the Treaty reference value of 3.0%;
- forecasts Portugal's structural balance is to deteriorate by 0.1% of GDP in 2016, compared to an EDP target of no adjustment;
- based on the 'top-down' method to assess the fiscal effort, estimates the adjusted change in the structural balance for 2016 to be 0.4% of GDP, compared to an EDP target of 0.0%;
- based on the 'bottom-up' method, projects the change in Portugal's structural balance is to be 0.3% of GDP, compared to an EDP target of 0.25%;
- outlines, in relation to its assessment of action taken as regards fiscal-structural measures, that Portugal's report on action taken highlights containment of non-financial debt in central administration, increases in funding to clear arrears in the health sector, the approval of operating rules for the new Budgetary Framework Law's implementation unit, the start of a spending review and a new progressive tax on real estate to help finance social security; and
- says that the expenditure side of pension sustainability remains unaddressed.

4.8 As Portugal's headline deficit is forecast to be below the 3.0% of GDP reference value for 2016 and its structural effort based on both the 'top-down' and 'bottom-up' methodologies is in line with EDP targets, the Commission concludes that Portugal is compliant with the fiscal effort requested by the August 2016 Council Decision and that its EDP should therefore be kept in abeyance at this stage.

4.9 As for Spain, it had a caretaker government when its report on action taken to comply with the Council Decision was submitted. So the report focusses on measures adopted with the aim of ensuring compliance with 2016 EDP targets. The Commission:

- says that the 2016 autumn forecast projects that Spain will have a headline deficit of 4.6% in 2016, in line with EDP targets;
- projects Spain's structural balance to deteriorate by 1.0% of GDP, compared with an EDP target of a 0.4% deterioration;
- based on the 'top-down' method to assess the fiscal effort, estimates the adjusted change in the structural balance for 2016 to be -0.5% of GDP, compared to an EDP target of -0.4%;
- based on the 'bottom-up' method, projects the change in Spain's structural balance to be -0.1% of GDP, compared to an EDP target of 0.0%;
- reports, in relation to the Commission's assessment of action taken as regards fiscal-structural measures, that Spain's measures fall short of requirements;
- says that the Spanish authorities have not yet presented proposals to amend the Stability Law to make preventative and corrective mechanisms automatic—the application of the Stability Law's spending rule also remains unclear; and
- says that, while planned measures to strengthen Spain's public procurement policy go some way in improving practices, they do not address the need for a consistent framework that ensures transparency and coordination.

4.10 As Spain's headline deficit for 2016 is projected to be in line with EDP targets, the Commission concludes that Spain's EDP should be kept in abeyance at this stage. As Spain's Draft Budgetary Plan (DBP), which is summarised in chapter 1 of this Report, was submitted on a 'no policy change basis' (having only a caretaker government), Spain is projected to miss headline and structural deficit targets for 2017 and 2018. The Commission says that it expects Spain to submit an updated DBP for 2017 showing compliance with the Council decision of 8 August 2016, at least one month before the 2017 budget law is adopted in the Spanish parliament.

4.11 Eurozone Member States under the EDP are required to submit an economic partnership programme setting out a roadmap of measures to contribute to an effective and durable correction of their excessive deficit. Portugal presented its programme on 21 October 2016. It includes the following measures:

- conducting expenditure reviews, which will identify efficiency gains and fiscal savings in the public administration and state owned enterprises—overall potential savings identified so far are moderate (around 0.1% of GDP over three years);
- improving the transparency of public private partnerships—a review of the public procurement code may yield some efficiency gains and transparency improvements are also expected to materialise at the regional and local levels;
- improving the funding and sustainability of the social security sector, with authorities planning to gradually eliminate extraordinary transfers from state budgets to the social security system by 2019—Portugal is planning on reassessing the sustainability and adequacy of the pension system with the

intention of any changes being fiscally neutral. The Commission says that the programme does not yet provide enough information on how short and medium term sustainability of the system will be achieved; and

- improving the efficiency and sustainability of the health sector—these measures include strengthening transparency and auditing and reviewing current agreements and subcontracts.

4.12 The Commission proposes a Council Opinion, document (a), that judges that the measures contained in Portugal's economic partnership programme are a broadly adequate set of fiscal-structural reforms. But it adds that some recommendations by the Council are still only partly backed by concrete measures, notably those regarding the sustainability of the social security system.

The Government's view

4.13 In his Explanatory Memorandum of 6 December 2016 the Chief Secretary to the Treasury (Mr David Gauke) noting that these documents concern Spain and Portugal only, says that they have no direct implications for the UK.

Previous Committee Reports

None

Formal Minutes

Wednesday 18 January 2017

Members present:

Alan Brown	Kate Hoey
Geraint Davies	Craig Mackinlay
Steve Double	Mr Jacob Rees-Mogg
Richard Drax	Mr Andrew Turner
Kate Green	David Warburton

In the absence of the Chair, Kate Hoey was called to the Chair.

Draft Report, proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1.1 to 4.13 read and agreed to.

Resolved, That the Report be the Twenty-seventh Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

[Adjourned till Wednesday 25 January at 1.45pm.

Standing Order and membership

The European Scrutiny Committee is appointed under Standing Order No. 143 to examine European Union documents and—

a) to report its opinion on the legal and political importance of each such document and, where it considers appropriate, to report also on the reasons for its opinion and on any matters of principle, policy or law which may be affected;

b) to make recommendations for the further consideration of any such document pursuant to Standing Order No. 119 (European Committees); and

c) to consider any issue arising upon any such document or group of documents, or related matters.

The expression "European Union document" covers—

i) any proposal under the Community Treaties for legislation by the Council or the Council acting jointly with the European Parliament;

ii) any document which is published for submission to the European Council, the Council or the European Central Bank;

iii) any proposal for a common strategy, a joint action or a common position under Title V of the Treaty on European Union which is prepared for submission to the Council or to the European Council;

iv) any proposal for a common position, framework decision, decision or a convention under Title VI of the Treaty on European Union which is prepared for submission to the Council;

v) any document (not falling within (ii), (iii) or (iv) above) which is published by one Union institution for or with a view to submission to another Union institution and which does not relate exclusively to consideration of any proposal for legislation;

vi) any other document relating to European Union matters deposited in the House by a Minister of the Crown.

The Committee's powers are set out in Standing Order No. 143.

The scrutiny reserve resolution, passed by the House, provides that Ministers should not give agreement to EU proposals which have not been cleared by the European Scrutiny Committee, or on which, when they have been recommended by the Committee for debate, the House has not yet agreed a resolution. The scrutiny reserve resolution is printed with the House's Standing Orders, which are available at www.parliament.uk.

Current membership

Sir William Cash MP (*Conservative, Stone*) (Chair)

Alan Brown MP (*Scottish National Party, Kilmarnock and Loudoun*)

Geraint Davies MP (*Labour/Cooperative, Swansea West*)

Steve Double MP (*Conservative, St Austell and Newquay*)

Richard Drax MP (*Conservative, South Dorset*)

Kate Green MP (*Labour, Stretford and Urmston*)

Kate Hoey MP (*Labour, Vauxhall*)

Stephen Kinnock MP (*Labour, Aberavon*)

Craig Mackinlay MP (*Conservative, South Thanet*)

Mr Jacob Rees-Mogg MP (*Conservative, North East Somerset*)

Dr Paul Monaghan MP (*Scottish National Party, Caithness, Sutherland and Easter Ross*)

Graham Stringer MP (*Labour, Blackley and Broughton*)

Michael Tomlinson MP (*Conservative, Mid Dorset and North Poole*)

Mr Andrew Turner MP (*Conservative, Isle of Wight*)

David Warburton MP (*Conservative, Somerton and Frome*)

Mike Wood MP (*Conservative, Dudley South*)

The following members were also members of the Committee during the parliament:

Peter Grant MP (*Scottish National Party, Glenrothes*), Nia Griffith MP (*Labour, Llanelli*), Rt Hon Damian Green MP (*Conservative, Ashford*), Kelvin Hopkins MP (*Labour, Luton North*), Calum Kerr MP (*Scottish National Party, Berwickshire, Roxburgh and Selkirk*), Alec Shelbrooke MP (*Conservative, Elmet and Rothwell*), Kelly Tolhurst MP (*Conservative, Rochester and Strood*), Heather Wheeler MP (*Conservative, South Derbyshire*)