

Analytical Report

Macroeconomic Imbalance Procedure: How to Implement in Ukraine?

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Executive Summary

The implementation of the Macroeconomic Imbalance Procedure (MIP) in Ukraine is an integral part of the European integration process and a strategic instrument for ensuring long-term macrofinancial stability. Overall, the MIP is an element of the European Semester.

The Macroeconomic Imbalance Procedure is an EU surveillance mechanism created to identify, prevent, and correct macroeconomic risks that could threaten the stability of individual countries or the entire monetary union. The legal basis consists of Regulations No. 1176/2011 and No. 1174/2011, which have direct effect and do not require transposition into national legislation, but do require the development of an internal institutional response system.

The Procedure begins with the annual Alert Mechanism Report (AMR), prepared by the European Commission and based on a Scoreboard of indicators. The analysis of the Scoreboard is not mechanical, although deviations of indicators from "normative" values serve as a starting point for deeper analysis. It includes economic analysis and considers 2-3-year economic forecasts. For countries with identified risks (imbalances), the European Commission conducts In-Depth Reviews. These are based on economic modeling, debt sustainability analysis, and the impact of deviations in economic indicators from normal values on economic resilience.

Monitoring is carried out primarily at the EU level, but when risks/imbalances are identified, and corresponding recommendations are formulated, responsibility for their implementation lies with the country's government. As with any other reforms, the key success factor is national "ownership" of the implemented changes, which requires structured dialogue with parliament and social partners to build internal consensus.

Priorities for the Government of Ukraine:

1. Identifying a single coordinating body and creation of technical working groups in areas of macroeconomic surveillance.
2. Alignment of the State Budget preparation calendar with the European Semester schedule and integration of EU recommendations into medium-term fiscal structural plans.
3. Harmonization of data collection methodologies with Eurostat requirements, preparation of statistical quality self-assessment reports, and development of personnel skills for working with MIP elements.

It is important that the MIP is one of the components of the European Semester, which is currently predominantly conducted by EU institutions. Accordingly, it requires relatively

few additional efforts beyond the general needs of implementing the European Semester and EU rules on statistics. Given Ukraine's previous experience with economic crises, the implementation of the MIP should not be limited to formal reporting to the EU on steps taken to eliminate identified imbalances. Still, it should also serve as a strategic "economic audit" tool that allows vulnerabilities to be identified and corrected before they grow into systemic crises.

Abbreviations

AMR	Alert Mechanism Report
CSRs	Country-Specific Recommendations
DSA	Debt Sustainability Analysis
EC	European Commission
ECB	European Central Bank
EIP	Excessive Imbalance Procedure
EU	European Union
GDP	Gross Domestic Product
IDR	In-Depth Review
IMF	International Monetary Fund
IT	Information Technology
MIP	Macroeconomic Imbalance Procedure
NBU	National Bank of Ukraine
OECD	Organisation for Economic Cooperation and Development
SGP	Stability and Growth Pact

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Introduction

The global economic and financial crisis of 2008 prompted various states and institutions to develop instruments to prevent future crises and strengthen their economies. For example, the International Monetary Fund (IMF) developed its Early Warning Exercise instrument¹, which is essentially a heating map of indicators highlighted in red when they approach critical values. The crisis also demonstrated the need for similar instruments for EU member states. Thus, the European Semester was first introduced to help coordinate the national economic and fiscal policies of member states, and within it, the Macroeconomic Imbalance Procedure was established.

Ukraine must implement the relevant procedures and rules as part of its eurointegration efforts under the negotiating chapter 17 "Monetary and Economic Policy." At the same time, unlike many steps in this chapter, the European Commission plays a key role in implementing the Macroeconomic Imbalance Procedure, rather than the member state itself. This makes implementing changes both easier and more difficult at the same time. This analytical brief provides a short overview of the Macroeconomic Imbalance Procedure and what is vital for Ukraine to do in this area.

European Semester

[European Semester](#) is an annual cycle of coordination of economic, fiscal, social, and budgetary policy within the European Union. It was introduced in 2010 as a response to the financial crisis to ensure coordinated economic management in member states and strengthen economic stability throughout the EU.

The process spans the year and comprises several stages: assessment of the macroeconomic situation and structural reforms in member countries; formulation of recommendations at the EU level; submission of national reform plans and budgets; and monitoring of implementation. The European Semester encompasses several instruments, including the European Stability Mechanism, the Macroeconomic Imbalance Procedure (MIP), the Stability and Growth Pact (SGP), and the coordination of policies in the areas of employment, social policy, and economic growth. It is designed to ensure consistency of member states' policies with pan-European goals, particularly within the framework of the [European Strategy for Sustainable Development until 2030](#).

As the European Commission defined: "Where risks are essentially rooted in fiscal sustainability concerns and where the required policy responses are largely in the

¹ Early warning exercise, <https://www.imf.org/en/about/factsheets/sheets/2023/early-warning-exercise>

fiscal policy domain, the Stability and Growth Pact (SGP) should be seen as the appropriate vehicle for surveillance and for issuing policy recommendations. Where there are wider macroeconomic risks in addition to fiscal sustainability, including possible spillovers, that require a broader policy response, the Macroeconomic Imbalance Procedure (MIP) should continue to complement surveillance under the SGP. Where vulnerabilities are not rooted in high debt or fiscal laxity, the MIP will be the main mean for ensuring a strong enough surveillance mechanism." (2024 European Semester: Spring Package Communication).

The European Semester has a one-year cycle (see Appendix). In the first phase (November-May), EU member states discuss economic and budgetary plans and agree on priorities. In the second phase (June-October) - the National Semester - member states must align their policies, primarily state budgets for the following year. The European Commission plays a key role in the European Semester: it assesses draft budgets submitted by member states and provides recommendations. All [country reports](#) are published on the European Commission website.

Essentially, Ukraine will need to amend legislation to account for new deadlines for preparing the State Budget law and to provide for the coordination of budget priorities and parameters with the European Commission. Previously, the International Monetary Fund was the only institution with which Ukraine actually coordinated indicators.

What is the "Macroeconomic Imbalance Procedure"?

[The Macroeconomic Imbalance Procedure](#) (MIP) is a mechanism for monitoring and coordinating economic policy introduced by the European Union in response to the financial and debt crisis of 2008-2010. The goal of the MIP is to identify, prevent, and correct potentially harmful macroeconomic trends that could negatively affect the stability of individual EU member countries or the EU as a whole. Within the Procedure, the European Commission annually analyzes economic indicators of member states using a scoreboard of indicators, particularly regarding external trade balance, debt, competitiveness, and price dynamics.

The introduction of the Procedure is intended to strengthen the effectiveness of economic governance in the EU, particularly within the [European Semester](#), ensuring timely identification of imbalances before they grow into a crisis. If imbalances are recognized as excessive, the Commission may initiate corrective measures and, for Eurozone countries, may even apply sanctions in the event of failure to implement

recommendations. Thus, the MIP procedure aims to increase the resilience of member states' economies and prevent the recurrence of systemic risks.

The Macroeconomic Imbalance Procedure works as part of the EU's annual cycle of economic monitoring and guidance. It was introduced as part of the so-called "Six-Pack" legislative package, which entered into force at the end of 2011. Two EU regulations form the legal basis of the Macroeconomic Imbalance Procedure:

1. [Regulation \(EU\) No.1176/2011](#) on the prevention and correction of macroeconomic imbalances defines the MIP itself and applies to all EU member states covered by this Procedure.
2. [Regulation \(EU\) No.1174/2011](#) on enforcement measures to correct excessive macroeconomic imbalances provides a mechanism for applying sanctions to ensure compliance with recommendations within the MIP, but only for Eurozone countries.

The primary treaty basis for monitoring within the MIP is Article 121 of the Treaty on the Functioning of the European Union, which establishes the principles of multilateral surveillance in the EU. The sanction mechanism provided for in Regulation 1174/2011 is based on Article 136 of this Treaty in combination with Article 121, which provides grounds for enhanced surveillance and coordination of economic policy for Eurozone.

It is important that EU regulations governing the Macroeconomic Imbalance Procedure (No.1176/2011 and No.1174/2011) have direct effect and do not require transposition into national legislation.

The MIP is based on the principle that the economic policy of one country has direct significance for other member states, as in conditions of deep integration and a single market, adverse effects can quickly spread across borders. The Procedure is applied symmetrically: for example, not only current account deficits but also excessive surpluses require careful surveillance and analysis, which may indicate insufficient domestic consumption or low investment levels. This approach ensures stability not only for an individual country but also for the entire economic and monetary union, preventing the accumulation of imbalances in one or several countries that threaten the EU's common political goals.

There are several elements of the Macroeconomic Imbalance Procedure (discussed in more detail below):

- ✓ Alert Mechanism Report
- ✓ Scoreboard
- ✓ In-Depth Reviews
- ✓ Specific monitoring
- ✓ Excessive Imbalance Procedure

Essentially, the regulation governing the Macroeconomic Imbalance Procedure is defined at the EU level and will become mandatory for Ukraine upon EU membership. This means that national regulation must define the bodies responsible for dialogue with the European Commission on this Procedure.

Scoreboard

The Macroeconomic Imbalance Procedure is an analysis of data for clearly specified categories. The [MIP Scoreboard](#) is a set of selected economic indicators used to screen all EU member states for potential economic imbalances that may require policy intervention. The Scoreboard includes both main and auxiliary indicators covering key areas of macroeconomic stability: external trade balance, competitiveness, debt levels, real estate price dynamics, financial sector indicators, and labor market indicators.

According to the Alert Mechanism Report prepared within the European Semester 2026, the MIP monitoring scoreboard includes 13 leading indicators measuring internal and external imbalances, as well as social and labor-market indicators (see Table 1).

Table 1: MIP Monitoring Indicators

Indicator	Unit of Measurement	Data Source	Statistical Base
Current account balance (% of GDP)	3-year average	Eurostat	BoP/NA
Net international investment position	% of GDP	Eurostat	BoP/ NA
Real effective exchange rate (42 trading partners, HICP deflator)	3-year change, %	DG ECFIN	-
Export performance against advanced economies	3-year change, %	Eurostat /OECD	BoP
Nominal unit labour cost index, per hour worked (2015 = 100)	3-year change, %	Eurostat	NA
General government gross debt	% of GDP	Eurostat	EDP/GFS
Household debt (+NPISH), consolidated	% of GDP	Eurostat	National accounts (financial accounts)
NFC debt - consolidated	% of GDP	Eurostat	National accounts (financial accounts)

Indicator	Unit of Measurement	Data Source	Statistical Base
Household credit flow (+NPISH), consolidated	% of debt (t-1)	Eurostat	National accounts (financial accounts)
NFC credit flow - consolidated, excl. FDI	% of debt (t-1), excl. FDI	Eurostat / ECB	National accounts (financial accounts)
House price index, nominal	Year-on-year change, %	Eurostat	Real estate statistics
Unemployment rate	% of labor force 15-74	Eurostat	EU-LFS
Labour force participation rate	3-year change, p.p. (% of population 15-64)	Eurostat	EU-LFS

Notes: BoP - balance of payments; GFS - government finance statistics; EDP - excessive deficit procedure statistics; HICP - harmonized index of consumer prices; NPISH - non-profit institutions serving households; LFS - labour force statistics; p.p. - percentage points; FDI - foreign direct investment.

Source: 2026 European Semester: Alert Mechanism Report – Statistical Annex,
https://commission.europa.eu/document/download/bb313c6b-22fa-4cc0-8e8f-0f14a660a037_en?filename=SWD_2025_900_2_EN.pdf

In addition to the leading MIP monitoring indicators, there is also a list of 23 auxiliary indicators that provide additional information on aspects related to the overall macroeconomic situation, nominal and real convergence inside and outside the EU and the euro area, and contain detailed data on several internal and external economic parameters (see Table 2). Auxiliary indicators expand the information base for understanding potential imbalances and for developing appropriate policy measures to correct them.

Table 2: MIP Auxiliary Indicators

Indicator	Unit of Measurement	Data Source	Statistical Base
Net international investment position excluding non-defaultable instruments	% of GDP	Eurostat	BoP; National accounts
Net lending/borrowing (Current plus capital account)	% of GDP	Eurostat	BoP; National accounts
Net trade balance of energy products	% of GDP	Eurostat	International Trade; National accounts
Real GDP per capita	Euro	Eurostat	National accounts

Indicator	Unit of Measurement	Data Source	Statistical Base
Gross fixed capital formation	% of GDP	Eurostat	National accounts
Gross domestic expenditure on R&D	% of GDP	Eurostat	R&D data; National accounts
Export market share (% of world exports)	3-year change, %	Eurostat /IMF	BoP
Labour productivity (per hour worked)	Year-on-year change, %	Eurostat	National accounts
Core inflation differential vis-à-vis the euro area	p.p.	Eurostat	HICP
Household debt (+NPISH), consolidated	% of gross income	Eurostat	National accounts (financial accounts)
Gross non-performing loans of domestic and foreign entities	% of gross loans	ECB	CBD
Tier-1 capital ratio of banking sector	% of risk-weighted assets	ECB	CBD
Return on equity of banking sector	%	ECB	CBD
Standardised house price-to-income ratio	Ratio to 2000 average	Eurostat	Real estate statistics; NA
Building permits	m ² per 1000 persons	Eurostat	STS
Long-term unemployment rate	% of labor force aged 15-74	Eurostat	EU-LFS
Youth unemployment rate	% of labor force aged 15-24	Eurostat	EU-LFS
Employment rate	% of total population aged 20-64	Eurostat	EU-LFS
Young people neither in employment nor in education or training	% of population aged 15-29	Eurostat	EU-LFS
People at risk of poverty or social exclusion	% of total population	Eurostat	EU-SILC

Indicator	Unit of Measurement	Data Source	Statistical Base
People at risk of poverty after social transfers	% of total population	Eurostat	EU-SILC
Severely materially and socially deprived people	% of total population	Eurostat	EU-SILC
People living in households with very low work intensity	% of population aged 0-64	Eurostat	EU-SILC

Note: BoP - balance of payments; CBD - consolidated banking data; FDI - foreign direct investment; HICP - harmonized index of consumer prices; LFS - labour force survey; NPISH - non-profit institutions serving households; SILC - statistics on income and living conditions; STS - short-term business statistics; p.p. - percentage points.

Source: 2026 European Semester: Alert Mechanism Report – Statistical Annex,
https://commission.europa.eu/document/download/bb313c6b-22fa-4cc0-8e8f-0f14a660a037_en?filename=SWD_2025_900_2_EN.pdf

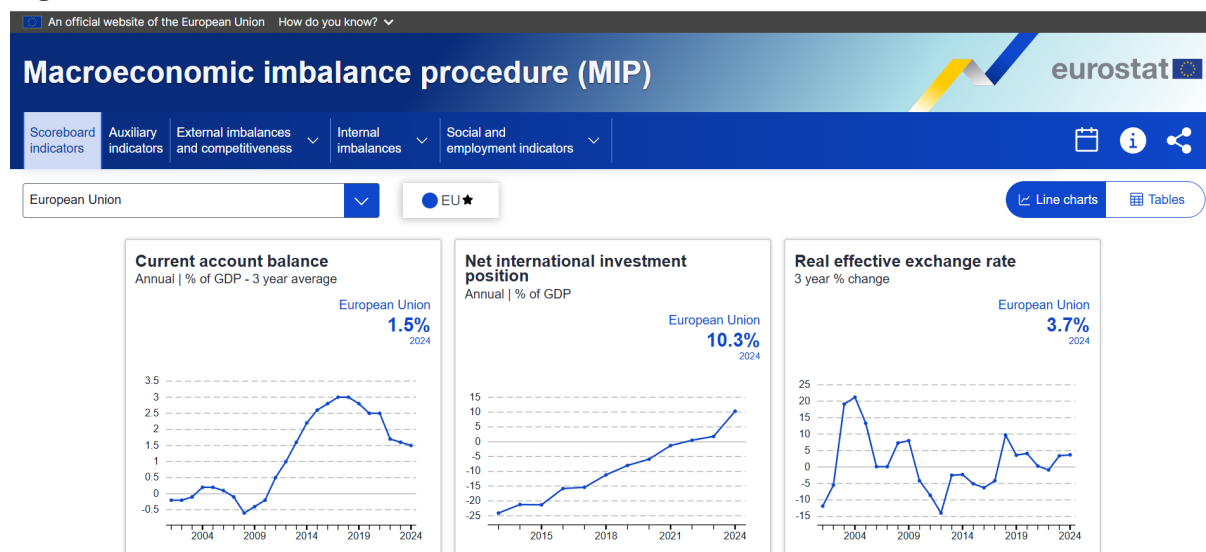
For all indicators, the European Commission defines benchmarks that allow assessment of risks and vulnerabilities in EU member states. This is essentially about finding imbalances that urgently need to be corrected to prevent crises and the realization of risks. The technical surveillance toolkit includes complex mathematical modeling, including the use of dynamic general equilibrium models (for example, the QUEST model), to assess spillover effects and forecast the impact of structural reforms on macrofinancial stability.

For high-quality data interpretation, the government needs to develop a system of special benchmarks that the European Commission uses to calculate "norms" for current accounts and private-sector debt levels, taking into account the fundamental characteristics of the Ukrainian economy.

MIP indicators are published on the Eurostat website in convenient graphical and tabular form for the EU and the euro area, and are also broken down by all EU member states (see Figure 1). Data are presented separately for each category of indicators:

- ✓ Scoreboard MIP indicators;
- ✓ Auxiliary indicators;
- ✓ External imbalances and competitiveness;
- ✓ Internal imbalances;
- ✓ Social and employment indicators.

Figure 1: MIP on Eurostat



Source: Eurostat, <https://ec.europa.eu/eurostat/cache/dashboard/macroeconomic-imbalance-procedure/#/>

Ukraine should add MIP statistics section to the Ukrstat website. It should be identical in structure to the corresponding section on the Eurostat website. It would be convenient if the corresponding section were actually a mirror of the corresponding Eurostat section, rather than just presenting data for Ukraine.

Alert Mechanism Report

[The Alert Mechanism Report](#) (AMR) is the starting point of the annual Macroeconomic Imbalance Procedure cycle. This document is published by the European Commission at the end of the calendar year (usually in November) simultaneously with the Annual Sustainable Growth Survey as part of the European Semester autumn package. The primary analytical tool in the Alert Mechanism Report is the Scoreboard of indicators, discussed below. At the same time, the economic reading of the Scoreboard in the Report is not a mechanical or automatic process, as the European Commission applies expert judgment to account for the interrelationships among macroeconomic variables.

The analysis in the Alert Mechanism Report is not limited to the formal Scoreboard of indicators alone. The Commission also takes into account other economic and financial indicators not included in the Scoreboard, but which may be necessary for understanding the economic situation in a particular country. The assessment is based on existing analysis within the MIP, including previous in-depth reviews, progress reports, and monitoring of the implementation of recommendations.

The Report has a pronounced predictive character. Although it is based on actual data from the previous year, the assessment always takes into account forecasts of economic

development for the next two to three years. This allows potential risks to be identified at early stages, even before they become persistent and begin to lead to lasting negative changes.

Based on the analysis conducted, the Alert Mechanism Report identifies countries that require an In-Depth Review (IDR) by the Commission. The In-Depth Review aims to assess in detail how macroeconomic risks are evolving in the relevant country and determine whether imbalances, including excessive ones, are present. Exceeding the threshold values for indicators in the Scoreboard is not an automatic basis for assigning an In-Depth Review; the Commission makes the decision based on a comprehensive economic assessment, taking into account the specifics of each country.

Thus, the Alert Mechanism Report serves as an early warning system for potential problems in member states' economies, enabling the timely initiation of more detailed analysis and preventing imbalances from deepening into a crisis.

In-Depth Reviews

[In-Depth Reviews](#), which are an integral part of country reports within the European Semester, are prepared for countries identified in the annual Alert Mechanism Report as requiring more detailed study of the macroeconomic situation. In exceptional cases of unexpected economic shocks, the European Commission may initiate the preparation of extraordinary reviews.

The main task of In-Depth Reviews is to clarify the nature of economic problems and determine their scale. When conducting analysis, the European Commission takes into account previous EU Council recommendations and commitments made by the relevant country. Based on the results of the In-Depth Review, the European Commission may reach one of four conclusions regarding the state of the country's economy:

- no imbalances;
- imbalances;
- excessive imbalances;
- excessive imbalances with corrective action (not yet used).

Depending on assessment results, countries with identified imbalances fall under a Specific Monitoring regime, the intensity of which depends on the severity of the problems.

The determination of "excessiveness" of imbalances based on review results is based on a comprehensive assessment according to three criteria: severity (gravity - level of

accumulated debts or vulnerabilities), evolution (dynamics of imbalance), and policy response (how effective government measures are for correcting the situation).

A key assessment factor is the economy's ability to adapt, which involves analyzing labor and product market flexibility, as well as the country's capacity to withstand external shocks without significant social losses. It is also essential to assess whether imbalances arise from specific fiscal risks, since in such cases the main surveillance instrument should remain the Stability and Growth Pact, not the MIP.

The analytical basis of In-Depth Reviews is the use of a wide range of quantitative tools that allow the identification of root causes of imbalances and the assessment of their sustainability.² A key tool is the QUEST dynamic general equilibrium model, which the European Commission uses to analyze cause-and-effect relationships among economic variables and to assess the impact of structural reforms or external shocks on macroeconomic stability.

The assessment of imbalances in the review involves comparing actual data with special economic benchmarks. In particular, current account analysis includes the calculation of "norms" based on fundamental indicators of savings and investment, as well as the determination of levels necessary to stabilize the net international investment position. Similar approaches are used to assess wage benchmarks and determine whether their growth corresponds to labor productivity and whether this poses risks to external competitiveness. A separate, critically important element of the In-Depth Review is the debt sustainability analysis (DSA) and the assessment of "spillover effects."

For Ukraine, In-Depth Reviews prepared by the European Commission mean the need to build analytical capacity for professional dialogue on European Commission reports, should such reports be prepared regarding Ukraine. In particular, the Ukrainian side must be ready to discuss the identified risks professionally with the European Commission and to formulate national corrective action plans.

Specific monitoring

Specific Monitoring is applied to countries that received a conclusion of "imbalances" or "excessive imbalances" based on In-Depth Review results. The intensity and focus of monitoring are adjusted based on the nature and severity of the problems identified in each country. Such monitoring is a form of intensified interaction between the European

² The Macroeconomic Imbalance Procedure. Rationale, Process, Application: A Compendium, European Union, Institutional Paper 039 | November 2016, https://economy-finance.ec.europa.eu/publications/macro-economic-imbalance-procedure-rationale-process-application-compendium_en

Commission and national authorities, aimed at helping EU countries resolve macroeconomic imbalances that could negatively affect their own economic stability, the Eurozone, or the EU as a whole.

In practice, Specific Monitoring involves sending European Commission representatives on missions to relevant EU countries, as well as preparing regular progress reports. These reports cover both current economic trends and progress in implementing recommended policy measures. Such systematic interaction enables timely tracking of changes in the economic situation and the timely adjustment of problem-solving approaches.

Since 2016, the scope of application of this instrument has been expanded to all countries with any identified imbalances (previously, it essentially concerned only countries with "excessive imbalances"). This change increased the effectiveness of the preventive part of the Macroeconomic Imbalance Procedure. At the same time, recommendations are often quite general.³

It is important to note that the latest separate Specific Monitoring Reports presented on the European Commission website date from November-December 2019. After that, information on specific monitoring was integrated into annual [Country Reports](#) and [Country-Specific Recommendations](#) (CSRs) within the European Semester.

Country-Specific Recommendations perform a broader function than just formal guidance. They serve as the basis for structured dialogue among different levels of government and stakeholders. This process involves not only the central governments of member states but also social partners (trade unions and employer organizations), local and regional authorities, and relevant civil society organizations. Discussions focus on implementing existing recommendations, developing current or future policy actions to address identified challenges, and identifying opportunities for further economic growth and social progress. When excessive macroeconomic imbalances are identified in a member state, they are necessarily included in subsequent discussions.

The Specific Monitoring regime involves active engagement with a wide range of stakeholders, including social partners, business association representatives, and the national parliament, to build consensus on the necessary reforms. The process includes regular European Commission surveillance missions, during which progress in implementing specific Country-Specific Recommendations (CSRs) is assessed, and

³ Детальніше див.

[https://www.europarl.europa.eu/RegData/etudes/IDAN/2025/773695/ECTI_IDA\(2025\)773695_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/IDAN/2025/773695/ECTI_IDA(2025)773695_EN.pdf)
Висновки Ради ЄС щодо МІР за 2025 рік <https://data.consilium.europa.eu/doc/document/ST-10338-2025-INIT/en/pdf>

reports are prepared that are made public to ensure transparency. This allows maintaining political ownership of reforms and ensuring that measures taken correspond to the scale of identified vulnerabilities.

Excessive Imbalance Procedure

[The Excessive Imbalance Procedure](#) is an enhanced surveillance mechanism that can be used for countries where excessive macroeconomic imbalances have been identified and where progress in implementing recommendations has not been made. This instrument is the final level of intervention within the Macroeconomic Imbalance Procedure and is intended to ensure countries' compliance with their obligations to correct economic imbalances.

If excessive imbalances are identified in a country based on In-Depth Review results, the European Commission may recommend that the EU Council require the relevant country to submit a corrective action plan. This plan should describe in detail specific measures to resolve identified problems and establish clear time frames for their implementation.

The EU Council approves corrective action plans. After plan approval, the European Commission and the EU Council conduct ongoing monitoring of its implementation and progress in correcting excessive imbalances. The Excessive Imbalance Procedure is terminated only after the country successfully eliminates identified imbalances.

For Eurozone member states, the possibility of applying sanctions is provided in case of systematic non-compliance with requirements (Regulation No.1174/2011). In particular, Eurozone countries that repeatedly fail to submit corrective action plans that the EU Council considers sufficient, or fail to implement approved plans, may face financial sanctions, including fines. This enforcement mechanism is an essential element of deterrence and incentivizing countries to carry out necessary reforms. At the same time, sanctions concern precisely euro area states, since the consequences of a crisis in these states are significant for all euro area states. On the other hand, sanctions for EU member states that have retained an independent monetary policy are currently absent.

In practice, the Excessive Imbalance Procedure has not been applied, as macroeconomic imbalances have generally been addressed in annual EU Council recommendations and within the Excessive Deficit Procedure.

Role of EU Institutions in the MIP

The Macroeconomic Imbalance Procedure clearly defines the roles of key EU institutions, ensuring effective monitoring and decision-making.

The European Commission plays a central role in the technical and analytical support of the Procedure. The European Commission carries out annual monitoring of member states' economic indicators, prepares the Alert Mechanism Report, and identifies countries requiring an In-Depth Review. Based on the analysis conducted, it develops draft Country-Specific Recommendations proposing specific measures to correct identified imbalances. In addition, the European Commission conducts fact-finding missions to member states within Specific Monitoring and prepares regular progress reports on the implementation of recommendations. In the event of excessive imbalances, the European Commission may recommend that the EU Council initiate the Excessive Imbalance Procedure.

The EU Council performs functions of political decision-making and approval. After receiving proposals from the European Commission, the EU Council discusses draft Country-Specific Recommendations, with member states able to provide comments and propose changes to recommendations for their countries. In June-July, the EU Council officially adopts final recommendations for each member state. It is also responsible for approving corrective action plans under the Excessive Imbalance Procedure and for monitoring their implementation, together with the European Commission. In the Eurozone, the EU Council also has the authority to impose sanctions in cases of systematic non-compliance with obligations. In practice, the role of the EU Council in the MIP is quite limited compared to other aspects of the European Semester. This primarily concerns the approval of recommendations for EU countries, which may include recommendations on macroeconomic risks, as well as the formal approval of European Commission conclusions on identified risks.

The European Council, which brings together heads of state and government of EU member countries, provides political endorsement of the general strategic directions of economic policy. In March, the European Council endorses the draft EU Council recommendations on Eurozone economic policy and provides joint recommendations for the preparation of medium-term fiscal structural plans.

This multi-level system of interaction between institutions ensures a balance between the Commission's technical expertise, political legitimacy of decisions through the EU Council, and strategic guidance from the European Council, which is vital for the effective functioning of the Macroeconomic Imbalance Procedure.

The government must necessarily reflect recommendations for correcting imbalances in medium-term fiscal structural plans. Accordingly, this needs to be provided for in regulations on the preparation of such plans.

Role of Member States and National Coordination Mechanisms

EU member states bear primary responsibility for the practical implementation of the EU Council's Country-Specific Recommendations and for correcting identified macroeconomic imbalances. It is national governments that must implement recommendations through specific structural reforms, legislative changes, and economic policy adjustments. Member states must take into account Country-Specific Recommendations and general recommendations on Eurozone economic policy in their medium-term fiscal structural plans, in which they describe in detail the schedule and content of reforms aimed at strengthening economic resilience and overcoming vulnerabilities. They must also regularly report on progress in implementing recommendations.

The European Union determines which imbalances require correction. Still, member states retain significant freedom to choose specific instruments and methods for achieving these goals, which corresponds to the principle of subsidiarity. Thus, overall, specific structural reforms recommended within the MIP will require corresponding changes at the national level. For example, if recommendations concern pension system reform, this requires changes to pension legislation; labor market reform requires changes to the labor code; and tax reforms require adjustments to tax legislation.

Member states ensure transparency and veracity of data, which is the basis for surveillance. According to regulations, **countries must guarantee the professional independence of national statistical bodies** and provide the European Commission with complete and correct information during surveillance missions. In the event of opening an Excessive Imbalance Procedure, the state is obliged to independently develop a Corrective Action Plan, defining priority measures and clear deadlines for their implementation, thereby ensuring political responsibility for results at the national level.

An essential part of the Procedure is **structured dialogue within the relevant EU member state, involving national parliaments and social partners**. The Macroeconomic Imbalance Procedure requires governments not only to implement EU instructions but also to build internal consensus on necessary changes in the labor market, production, services, or the financial sector. This includes active interaction with business associations, trade unions, and civil society, since the effectiveness of correcting imbalances depends on how much proposed measures take into account national features of wage formation and social protection systems.

To effectively coordinate the implementation of EU recommendations, member states establish various national-level organizational structures. They are generally used to

coordinate a wide range of aspects of interaction with the EU. Coordination models differ significantly across countries, depending on their administrative traditions and political systems. Several typical coordination models characteristic of different states can be identified.

Interministerial committees/councils under the government:

- France: Comité interministériel pour les affaires européennes (Interministerial Committee for European Affairs), chaired by the Prime Minister.
- Germany: Koordinierung bei europäischen Angelegenheiten - coordination through the Federal Ministry of Finance with participation of other relevant ministries.
- Italy: Nucleo di Valutazione e Analisi per la Programmazione (NUVAP) - unit under the Department of Development. NUVAP is responsible for assessing investment effectiveness and strategic planning.

Specialized departments in the Ministry of Finance:

- Most countries have special departments or directorates in the Ministry of Finance that coordinate the preparation of national plans and implementation of CSRs. Examples include European coordination departments and macroeconomic policy departments. Under this model, specialized departments or directorates for European coordination and macroeconomic policy are created in the Ministry of Finance. This model is logical, as many MIP recommendations concern fiscal policy and public finance management.

Secretariats under the Prime Minister/government apparatus:

- Some countries assign the coordination function directly to the head of the government's office to enhance interministerial coordination. This model increases interministerial coordination and political influence.

Working groups:

- Temporary or permanent interministerial working groups that meet to coordinate the preparation of specific documents.
- Usually include representatives of key ministries: finance, economy, labor, and social policy.

Specialized agencies may also be involved in MIP monitoring, including:

- Slovakia: Council for Budget Responsibility (independent fiscal council that also provides analytical support for fiscal monitoring and budget policy implementation assessment processes).

- Netherlands: The CPB Netherlands Bureau for Economic Policy Analysis (an independent analytical institution) has broader functions and is involved not only in monitoring but also in forecasting and economic analysis.

The typical composition of coordination structures usually includes representatives of the Ministry of Finance (central coordinator), the Ministry of Economy, the Ministry of Labor and Social Policy, the National Bank, the Statistical Service, and the Permanent Representation to the EU. Functions of such structures cover the coordination of preparation of national plans, collection of information from various ministries for reporting to the European Commission, monitoring implementation of recommendations, organization of mandatory consultations with social partners, local authorities, and civil society organizations, as well as ensuring consistency between different areas of economic and social policy. This multi-level system of interaction between European institutions and national authorities is key to the effective functioning of the Macroeconomic Imbalance Procedure and achieving macroeconomic stability in the European Union.

Conclusions

The implementation of the Macroeconomic Imbalance Procedure in Ukraine is an integral part of the European integration process and a strategic instrument for ensuring long-term macrofinancial stability. It is essential to understand that the European Commission aims to make its monitoring within the MIP more than a mere formal, mechanical review of statistical indicators. The MIP is seen as applicable for the analysis and forward-looking assessment of economic vulnerabilities of member states, while maintaining comparability across countries. The main challenge for the government is to build the necessary capacity for professional dialogue with the European Commission during In-Depth Reviews. The ultimate goal of the Procedure is not simply to record deviations from threshold values, but to timely identify and correct internal and external imbalances to prevent their transformation into systemic crises.

Although MIP regulations No.1176/2011 and No.1174/2011 have direct effect and do not require transposition into national legislation, their practical implementation requires the creation of a clear institutional infrastructure within the country. At the same time, the MIP primarily does not require additional efforts by EU member state governments beyond general preparation for participation in the European Semester. Of course, professional involvement in dialogue with the EC within the MIP is necessary. Thus, Ukraine must adapt its budgetary and strategic cycles to the European Semester schedule, ensuring full integration of Country-Specific Recommendations (CSRs) into medium-term fiscal structural plans.

The success of the MIP will depend on ensuring the principle of national "ownership" of reforms, which presupposes not only the technical work of ministries, but also structured dialogue involving social partners, parliament, and other stakeholders. Thus, the Procedure should not be merely additional reporting but a central element of economic policy coordination, allowing Ukraine to synchronize its development pace with pan-European stability goals.

Therefore, Ukraine's role in the MIP:

1. *Implementation of recommendations.* Ukraine will be responsible for implementing specific recommendations through concrete measures, reforms, and legislative changes. In particular, the Government of Ukraine will prepare medium-term fiscal structural plans that must reflect the EU Council's recommendations, including those on macroeconomic imbalances.
2. *Dialogue with the European Commission.* During missions, specific monitoring and working dialogue, Ukrainian authorities will need to interact with European Commission representatives and provide explanations and comments on the Commission's preliminary conclusions.
3. *Ensuring data quality for the MIP.* Ukraine must pay increased attention to the quality of data used as indicators for the MIP. To control quality, periodic self-assessment reports on data quality for the MIP are provided for broad categories of statistics used in the MIP.⁴ In Ukraine, such reports will be submitted by the NBU (regarding the balance of payments and international investment position, and the financial accounts of institutional sectors) and the State Statistics Service (regarding labor market and housing price statistics). Periodic information visits to member countries, together with Eurostat and European Central Bank representatives, are also provided. In case of deficiencies in MIP statistics being identified during visits, recommendations are prepared for their correction, and their implementation is monitored. It should be noted that this occurs within the framework of administrative cooperation, not the direct requirements of EU legislation.
4. *Reporting on progress.* The Government of Ukraine will need to regularly report on implementation of recommendations and progress achieved within the general procedures of the European Semester, including annual reports on implementation of the structural plan, as well as, in case of availability, reports on implementation of specific recommendations provided within the MIP.

⁴ <https://www.cmfb.org/main-topics/mip-quality>

EU recommendations are not legally binding for member states (except when the Excessive Imbalance Procedure with a corrective action plan for the Eurozone is involved). They have the character of "soft law" since they actually mean:

- political pressure and high reputational costs;
- non-implementation may affect access to EU financing;
- for Eurozone countries, there are sanctions.

Recommendations

Since EU regulations on the definition and regulation of the MIP are acts of direct effect, they do not require transposition into national law, but do require adaptation of the internal legislative framework for their implementation. This means that the state must define the following at the level of laws and bylaws:

1. Institutional infrastructure. Ukraine should designate a single state authority responsible for interaction with the European Commission within the European Semester, including for the MIP. In Ukraine's case, the Ministry of Finance could act as coordinator, as in many EU member states. At the same time, a coordination council under the Cabinet of Ministers could also be created, bringing together representatives of key economic ministries, the NBU, the State Statistics Service, and relevant departments.

2. Adaptation of the budget process. The calendar for preparation of primary documents must be brought into compliance with the European Semester schedule, which provides for coordination of State Budget parameters and fiscal priorities with European institutions before their final approval at the national level. This requires adjustments to the Budget Code to enable the submission of medium-term fiscal structural plans by the end of April each year and the integration of Country-Specific Recommendations into budget planning. In addition, it is necessary to align procedures for preparing the draft State Budget with MIP requirements, particularly regarding consideration of EU Council recommendations and In-Depth Review results. This will allow potential recommendations to Ukraine on eliminating macroeconomic risks to be taken into account in the budget process and medium-term economic policy.

3. Adaptation in the field of statistics. Adaptation of Ukraine's legislation to EU rules will allow the European Commission to analyze macroeconomic risks using harmonized rules for the formation of statistical indicators. Thus, the European Commission conducts monitoring primarily based on data transmitted by national statistical services to Eurostat. When conducting in-depth studies of individual countries, it also uses its own analytics and public data. Therefore, overall, preparing the statistics sphere for

Ukraine's participation in the MIP does not require additional effort beyond Ukraine's obligations to adapt legislation in this area. However, after Ukrainian statistics calculate all necessary indicators in accordance with EU rules, it would be advisable to perform a test calculation to identify potential data anomalies. Also, the NBU and the State Statistics Service will need to prepare self-assessment reports on statistics for MIP purposes.

Ukraine should invest in training civil servants to work with MIP tools, including methodologies for calculating indicators, preparing analytical reports, and interacting with European institutions. Professional civil servants will be able to better interact with the European Commission within the European Semester, develop necessary plans and reports, and effectively respond to identified imbalances. This can be done through twinning programs with EU countries that have successful experience in managing macroeconomic imbalances, or through consultations with European Commission experts. In addition, analytical units within Ukrainian ministries and departments need capacity-building to conduct macroeconomic analysis at the level expected within the MIP. This includes both technical skills in working with macroeconomic models and understanding the specifics of European surveillance procedures.

Preparation for participation in the European Semester must require the creation of the necessary infrastructure and significant efforts. Costs include the creation and equipping of coordination structures (interministerial working groups, analytical units), modernization of statistical systems, and harmonization of data collection methodologies with European standards, training of civil servants, and involvement of international experts for consultations, as well as development of IT infrastructure for automated monitoring of indicators and data exchange with European institutions. However, as we noted above, preparation for participation in the MIP is predominantly part of broader efforts to implement the European Semester and adapt legislation in the field of statistics. It does not require a large number of steps that concern only the MIP.

To successfully prepare for participation in the European Semester, particularly in the Macroeconomic Imbalance Procedure, Ukraine needs a clear, step-by-step roadmap with specific milestones and responsible bodies.

Appendix

European Semester Timeline

as defined at the European Commission [website](#)

The European Semester timeline

The Semester follows a clear timetable. In addition to the formal steps described below, the European Commission engages in regular dialogue with Member States and stakeholders throughout the year.

1. November

European Semester autumn package

The European Semester cycle begins in November when the European Commission presents the European Semester autumn package. This sets out general social and economic priorities and provides Member States with policy guidance for the period ahead.

The autumn package generally includes:

- The **annual sustainable growth survey**, setting out the general economic, employment and social policy priorities for the European Union over the next 12 to 18 months, as assessed by the European Commission;
- The **opinions on the draft budgetary plans of euro area Member States** providing the Commission's evaluation of how Member States' draft budgets for the upcoming year align with EU economic fiscal rules. It includes an overarching communication;
- A proposal for a **Council recommendation on the economic policy of the euro area**, providing policy advice to euro area Member States on topics that affect the functioning of the euro area as a whole;
- An **alert mechanism report** aims to [detect, prevent and correct macroeconomic imbalances](#) that hinder the proper functioning of Member States' economies, the Economic and Monetary Union or the Union as a whole;
- **Post-programme surveillance reports** that assess the repayment capacity of Member States that have benefited from financial assistance programmes;

- A proposal for a **joint employment report**, which analyses key employment and social developments in the EU, along with policy responses by national governments.

[Autumn package](#)

2. January-March

Council adopts conclusions and guidance

The autumn package documents are sent to the European Parliament and the Council of the European Union.

Between January and February, the Council discusses and **adopts conclusions** on the **annual sustainable growth survey** and the **alert mechanism report**. It also **approves**, possibly with amendments, the draft **Council recommendation for the euro area**. The recommendation is then submitted to the European Council.

In March, the Council **adopts the joint employment report** with conclusions. The European Council **endorses the draft Council recommendation on the economic policy of the euro area**. On this basis, EU leaders provide common guidance for the medium-term fiscal structural plans due in April. Additionally, the Commission offers fiscal policy guidance to inform the preparation of these national plans.

The European Parliament also discusses the annual sustainable growth survey, with the possibility of publishing an own initiative report.

3. April

Member States submit their policy plans for evaluation

By the end of April, Member States submit their **medium-term fiscal structural plans or the related annual progress reports** to the Commission for evaluation. These documents outline a multi-year net expenditure path, aiming to reduce national debt or maintain it at prudent levels. The structural plans also detail the reforms and public investments that countries intend to adopt to enhance sustainability and growth, and addressing key challenges identified within the context of the European Semester.

Starting from 2024, the medium-term fiscal structural plans replaced the former national reform programmes and stability / convergence programmes as part of the [economic governance review](#). The plans cover a period of at least four years, depending on the length of the national legislature.

During the development of the policy plans or progress reports, Member States are expected to take into account the guidance issued through the country-specific recommendations (cf. June-July), the Council recommendation on the economic policy

of the euro area and additional fiscal policy guidance by the Commission (cf. January-March).

4. May

European Semester spring package

The Commission presents the European Semester spring package, which provides economic and fiscal guidance to Member States following the assessment of the medium-term fiscal structural plan or the related progress report.

The spring package generally includes:

- A **communication** summarising the main elements of the package;
- **Country reports** for all Member States taking stock of the respective economic and social situations;
- **Country-specific recommendations** for all Member States providing guidance on how to adequately respond to new and existing challenges and deliver on key policy objectives;
- **Post-programme surveillance reports** that assess the repayment capacity of Member States that have benefited from financial assistance programmes;
- A **proposal on guidelines for employment guidelines** that presents common priorities for national employment policies.

[Spring package](#)

5. June-July

Council discusses and adopts country-specific recommendations

In June, the Council discusses the proposed country-specific recommendations and agrees on a final version. During these discussions, Member States can provide comments on their respective medium-term fiscal structural plans. After receiving an endorsement from the European Council, the Council officially adopts the recommendations in July.

[Country-specific recommendations](#)

6. August-October

Putting country-specific recommendations into practice

Member States are invited to implement the country-specific recommendations and incorporate them into the reform, public investment and national budgetary plans for the following year. Euro area member states share their draft budgets with the Commission by mid-October, ahead of the next autumn package. The Commission assesses the plans

against the requirements of the Stability and Growth Pact, the agreed net expenditure path and the country-specific recommendations.

At the end of the year, Member States finalise their national budgets, taking into account the Commission's Opinions on the Draft budgetary plans from the new autumn package.

Following this, the European Semester concludes, and a new cycle begins.

In subsequent periods - [Implementation of Semester recommendations](#)



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