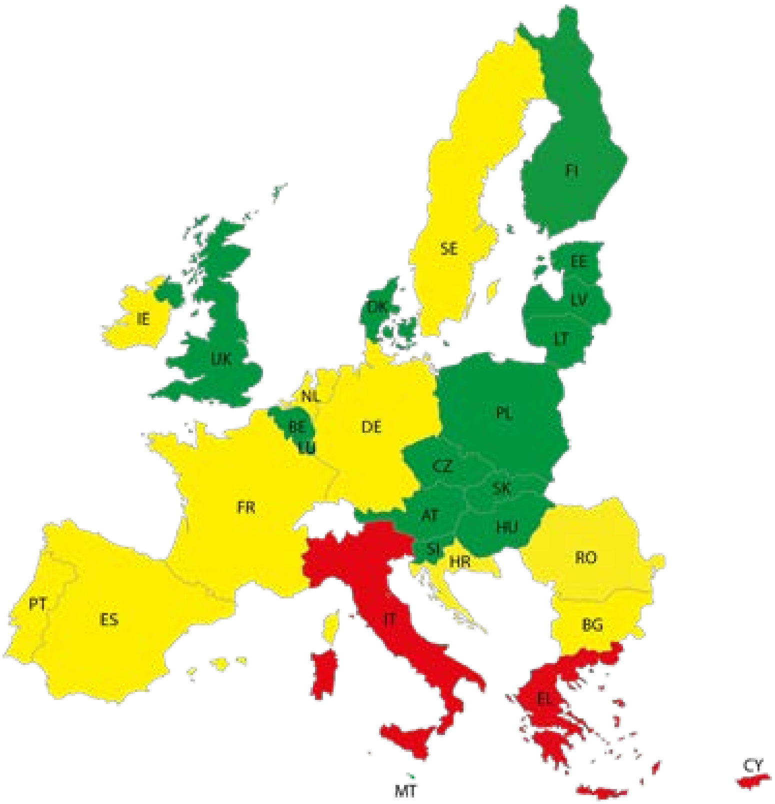
IN-DEPTH ANALYSIS

Implementation of the Macroeconomic Imbalance Procedure: State of play - September 2019

This note presents the Member States' situation with respect to the Macroeconomic Imbalance Procedure, taking into account recent assessments and decisions by the European Commission and the Council. It also gives an overview of relevant comments on the MIP published by EU institutions. A separate EGOV note describes the MIP procedure. This document is regularly updated.

In March 2019, the Commission concluded that:

- **15** Member States are not considered at risk of **"macroeconomic imbalances"**
- **10** Member States are considered being in a situation of **"macroeconomic imbalances"**
- **3** Member States are considered being in a situation of **"excessive macroeconomic imbalances"**.



Source: EGOV based on European Commission, 2019

Economic Governance Support Unit (EGOV)
Author: Alice Zoppè
Directorate-General for Internal Policies
PE 497.739 - September 2019

EN

CONTENT

1. The 2019 Semester and the MIP

1.1 Main findings from the Alert Mecanism Report 3

1.2 The 2019 Country Reports and their conclusions under MIP 7

1.3 The Country Specific Recommendations for 2019/2020 8

1.4 Next steps 8

Box 1: Some institutional positions on current accounts imbalances in the euro area 5

Box 2: Excerpts from Council conclusions related to MIP in 2019 6

2 MIP IMPLEMENTATION OVER THE 2012-2019 SEMESTER CYCLES

2.1 Member States assessed having macroeconomic imbalances 9

2.2 Implementation of CSRs underpinned by MIP 10

Box 3: Selected statements/positions on the corrective arm of the MIP 12

Box 4: Special report of the European Court of Auditors on the MIP 13

ANNEXES

Annex 1: Procedural changes and innovations in the MIP 14

Annex 2: The 2019 scoreboard for the identification of possible macro-economic imbalances 16

Annex 3: Country specific commentaries on imbalances, risks and adjustments (IDRs 2019) 17

Annex 4: 2018 CSRs underpinned by MIP for Member States experiencing macroeconomic imbalances, their implementation and 2019 CSRs underpinned by MIP. 20

1. The 2019 Semester and the MIP

The Commission published in November 2018 its latest Alert Mechanism Report (AMR): this report presented the analysis of the macroeconomic situation for the EU, as well as for individual Member States, and launched the annual round of the Macroeconomic Imbalance Procedure (see an EGOV note for a description of the MIP procedure). It identified thirteen Member States as at risk of macroeconomic imbalances.

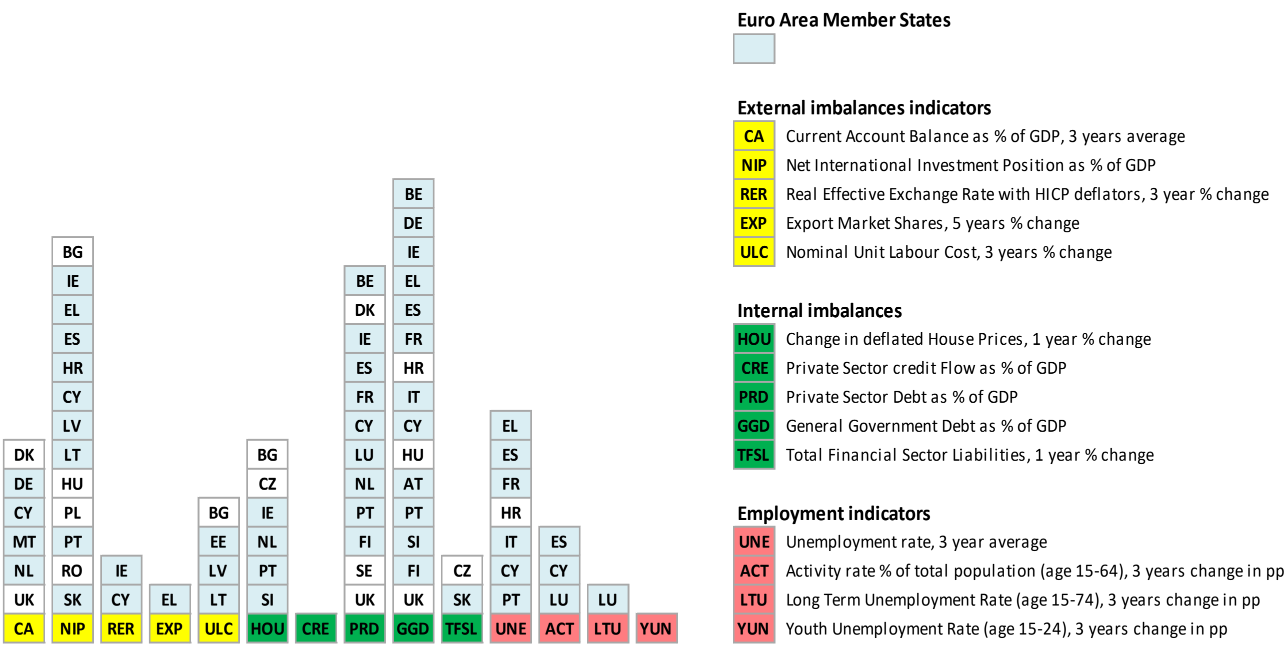
The Commission published then in March 2019 its Communication on Macroeconomic Imbalances and the Country Reports, which include the In-depth-reviews (IDR) for the thirteen countries considered as deserving further analysis in November 2018.

In June, the Commission published the so called "2019 Spring package", with its decision and proposals on the fiscal and economic policies of member States, including the draft Country Specific Recommendations for 2019/2020 to all EU Member States. Following the endorsement by the European Council, the Council adopted the 2019 CSRs in July.

1.1 Main findings from the AMR 2019

The analysis of the overall macroeconomic situation showed a **weakening of the economic recovery** that Europe has experienced lately, as it was already pointed out in the Commission forecast of autumn 2018. Positive growth is expected in all Member States, with consequent increase in employment, wages, domestic consumption, investments and a raising inflation. Nevertheless, the Commission identified **several challenges** that may pose risks to the recovery and the correction of macroeconomic imbalances, including a decrease of net exports, in a context of uncertainty in the global trade environment and the recent appreciation of the euro.

Chart 1: MIP scoreboard 2019 - Member States with values beyond the thresholds



Source: EGOV based on 2019 Alert Mechanism Report

The MIP scoreboard[1] (see Chart 1 and Annex 2) and the Commission's analysis showed that:

- **There is still a need to rebalance current accounts and external positions.** Only two countries (Cyprus and the UK) had recorded external deficits beyond the MIP threshold, and few countries should make further efforts to reduce the stock of net foreign liabilities. In contrast, elevated current accounts surpluses continue in some countries: Denmark, Germany, Malta and the Netherlands (with some figures possibly affected by cross-border activities of multinational companies).
- **Cost competitiveness conditions are becoming less favourable for several Member States:** Labour cost is growing at a fast rate in a majority of countries (especially in central and Eastern Europe), with risk of losses in cost competitiveness.
- The private sector is deleveraging**,** and the **private debt-to-GDP ratio is decreasing**, mainly due to high nominal GDP growth. Active deleveraging is mostly visible in the business sector, as households are increasing borrowing. **Public debt** is declining in most, but not all, high-debt countries: despite positive nominal growth and low interest rates, a growing number of Member States are undertaking pro-cyclical fiscal measures. In eight Member States, the combination of high debt, both in the public and private sector, calls for general deleveraging needs.
- **House prices** are accelerating in most Member States, with several cases pointing at over-evaluation.
- Conditions in the EU **banking sector** are improving, including profitability. Non-Performing-Loans ratio are declining, notably in those Member States with high stocks.
- **Unemployment indicators** and activity rates are showing a general improvement, but there are differences among Member States. **Wage growth** is gradually resuming.

For the **euro area, the Commission notes that it continues to have the world's largest current account surplus**. It is expected to be 3.8% of GDP in 2018, above the level that is consistent with economic fundamentals. The euro area surplus should be reduced by adjustments in the net-creditor countries, while net-debtor countries are required to reduce their large stocks of external liabilities (Box 1 presents some positions on the current account imbalance in the euro area taken by various institutions).

The AMR presented also the analysis of the macroeconomic situation in **individual Member States**, and the conclusions reached by the Commission in the context of the MIP. The Commission identified thirteen Member States which deserved further analysis:

- Croatia, Cyprus and Italy, that were experiencing **excessive macroeconomic imbalances** in 2018;
- Bulgaria, France, Germany, Ireland, the Netherlands, Portugal, Spain and Sweden, that were experiencing **macroeconomic imbalances** in 2018**;**
- Greece (that concluded a financial assistance programme in August 2018) and Romania, for which the Commission identified risky developments in relation to competitiveness and external balance.

The **ECOFIN Council** discussed the 2019 AMR in January 2018, and drew its conclusions (see Box 2).

[1] The MIP scoreboard is complemented by a set of auxiliary indicators, for which there are no thresholds. The Commission has recently revised two indicators and substituted two other indicators. See Box 1and Table 2.1 of the AMR and Annex 1 of this document.

Box 1: Some institutional positions on current account imbalances in the euro area

The **Commission** notes in the 2019 AMR (Box 2) that "*The euro area current account has stabilised at very high levels. The current account balance of the euro area increased visibly after the 2008 crisis and until 2016. Since then its value has stabilised at around 3.2% of GDP in 2016 and 2017...The euro-area current account surplus remains the largest worldwide, and is estimated to be above the value that would be expected on the basis of economic fundamentals (about 1.5% of euro area GDP). ... The built-up of the euro area surplus reflects the correction of current accounts previously in deficit, coupled with the persistence of large current accounts...The recent evolution of the euro area current account was mainly linked to the energy... The dynamics of the euro area surplus is linked to domestic demand lagging behind that of economic activity and sustained export demand, building on supportive global demand for European goods and services, and on improved competitive position....Challenges remain linked to the persistence of stock imbalances, the durability of the current economic expansion, and the limited room for cushioning negative shocks in high-debt countries... Symmetric rebalancing in the euro area would help restoring sustainable growth, while ensuring macroeconomic stability...* "

In its conclusions on the the In-depth-reviews of May 2019, the **ECOFIN** notes that "*much progress has been achieved among most net debtor countries in correcting their current account deficits, but large stocks of external debt remain a vulnerability in a number of Member States... that other Member States exhibit instead large current account surpluses, which have remained persistent with only modest signs of reduction... Member States with current account deficits or high external debt should additionally seek to improve their competitiveness and prevent excessive growth in unit labour costs. Member States with large current account surpluses should further strengthen the conditions to promote wage growth, while respecting the role of social partners, and continue to implement as a priority measures that foster investment, support domestic demand and growth potential, thereby also facilitating the rebalancing..*"

In its resolution on "the European Semester for economic policy coordination: Annual Growth Survey 2019" of 13 March 2019, the **European Parliament** pointed out that "*some Member States with good fiscal space have consolidated even further, thereby contributing to the euro area's current account surplus*" It also "*Welcomed the Commission's efforts to encourage those Member States with current account deficits or high external debt to improve their competitiveness, and those with large current account surpluses to promote demand by increasing wage growth in line with productivity growth and to foster productivity growth by promoting investment*".

The **ECB** occasional paper of June 2018 on "Macroeconomic imbalances in the euro area: where do we stand?" reads "*Most of the euro area countries are currently running a surplus, with the notable exception of France. Across countries, a debate has emerged in recent years regarding the nature of the large current account surplus, in particular in the larger euro area countries such as Germany and the Netherlands. Drivers of the German current account surplus are the high household saving rate and the increasing saving rates of the corporate and government sectors. It is also driven by weak investment dynamics, notably in the public sector, as evidenced by a persisting public sector investment differential compared to the euro area. Stronger investment demand in Germany would likely contribute to a more symmetric average euro area rebalancing... While current account balances have turned positive for many euro area countries, their levels are not high enough to foster quicker adjustment of the stock of external debt*".

In its Art. IV report for the Euro Area of July 2019, the **IMF** states (p. 19): "*The external current account surplus narrowed in 2018 but remains high. The euro area surplus declined modestly to 2.9 percent in 2018 from 3.2 percent in 2017, mainly due to weaker external demand and higher oil prices... Countries with large external surpluses should use fiscal space and structural reforms to incentivize investment and lift potential growth... Reforms that boost productivity will improve competitiveness and strengthen the external position of net debtor countries*". Furthermore, the IMF Executive Board "*supported the policy efforts to reduce external imbalances. They called on net external creditor countries to implement policies to incentivize domestic investment, which would contribute to reducing external surpluses.*" (see also p. 32).

Box 2: Excerpts from Council conclusions related to MIP in 2019

January 2019, Conclusions on the 2019 AMR. The Council:

- Broadly agrees with the Commission's horizontal analysis of the adjustment of macroeconomic imbalances in the EU and within the euro area. ...
- Underlines the need to concentrate in the IDRs on Member States' **key challenges and risks**, and report the gravity of the identified challenges, evolution of risks, the policy response taken, and any policy gaps in order to highlight clear priorities and ensure swift action. RECALLS that when assessing macroeconomic imbalances account should be taken of **their potential negative economic and financial spill-over effects** for the euro area and the EU.
- Welcomes the technical revisions made by the Commission to the **auxiliary indicators of the Scoreboard**. Highlights the need to continue technical work to assess the appropriateness of the scoreboard for the early detection of new sources of macro-financial risks and to further develop and improve analytical tools and frameworks for assessing developments and drivers behind the building up and unwinding of imbalances and related spillovers.
- Notes that, in accordance with Regulation 1176/2011 on the MIP, the **Commission will review and report on the application of the MIP at the latest by December 2019** and INVITES the Commission to involve the Economic Policy Committee in this review process and to duly take into account the recommendations made by the **European Court of Auditors in its report on the implementation of the MIP**.
- Considers that **MIP specific monitoring** of all Member States identified to have imbalances helps foster an effective implementation of measures to address macroeconomic imbalances, through policy dialogue and peer reviews. Underlines the importance of maintaining stable and transparent practices with respect to the implementation of specific monitoring.

May 2019, Conclusions on In-depth-reviews and implementation of 2018 CSRs. The Coucil:

- Considers that the IDRs present a **high-quality and comprehensive analysis** of the country situation in each Member State under review...
- Agrees that all 13 Member States analysed in the IDRs are experiencing **macroeconomic imbalances** of various nature and degree of severity under the MIP, and that **excessive imbalances** exist in three Member States (Cyprus, Greece and Italy).
- Takes note of the Commission’s intention to continue reviewing developments and policy measures taken by all Member States with imbalances or excessive imbalances in the framework of **specific monitoring**.
- Reiterates that the **MIP should be used to its full potential** and in a transparent and consistent way, ensuring Member States’ ownership of the procedure, including the activation of the excessive imbalance procedure where found appropriate by the Commission and the Council. Maintains that **whenever the Commission concludes that a Member State is experiencing excessive imbalances, but does not propose to the Council the opening of the excessive imbalance procedure, it should clearly and publicly explain its reasons**.
- Notes that much progress has been achieved among most net debtor countries in correcting their **current account deficits,** but large stocks of external debt remain a vulnerability...Notes that other Member States exhibit instead **large current account surpluses**, which have remained persistent with only modest signs of reduction...**Member States with current account deficits or high external debt should additionally seek to improve their competitiveness and prevent excessive growth in unit labour costs. Member States with large current account surpluses should further strengthen the conditions to promote wage growth,** while respecting the role of social partners, and continue to implement as a priority measures that foster investment, support domestic demand and growth potential, thereby also facilitating the rebalancing.

1.2 The 2019 Country Reports and their conclusions under MIP

On 27 February 2019, the Commission published its Communication on “Assessment of progress on structural reforms, prevention and correction of macroeconomic imbalances”. This document provides an overview of the current situation on the economic and social context, on the Member States’ progress with the Country Specific Recommendations (CSRs), on the evolution of macroeconomic imbalances and on the implementation of the MIP.

The Commission also published the Country reports, with the outcomes of its analysis of the economic, fiscal and social situation and related challenges in each EU Member State. According to the Commission, the reports draw on exchanges with governments, national authorities and stakeholders at both technical and political level. Each Country report now includes also a Box presenting the outcomes of the monitoring of performance in the light of the European Pillar of Social Rights[2]. Furthermore, these reports provide an assessment of the **implementation of the 2018 Country Specific Recommendations** (CSRs). According to the Commission, since the introduction of the European Semester in 2011, all Member States have made progress in implementing country-specific recommendations (CSRs), although the rate of progress varies (see separate EGOV documents for further information: “Implementation of the 2018 Country-Specific Recommendations” and “Country-specific recommendations: An overview”).

As a novelty this year, Country reports identify priority areas for policy action regarding **public and private investment** in Member States, in view of increasing coherence between the coordination of economic policies in the European Semester and the use of related EU funds in 2021-2027. At the ECOFIN meeting on 12 March 2019, ministers discussed these investment-related policy recommendations. The debate was based on a letter from the Chair of the Economic and Financial Committee to the ECOFIN President.

According to the Commission, policies to increase growth and productivity are country-specific and require both ownership and sufficient administrative and technical capacity: to these aims, the “Winter package” includes the financing decision for the Structural Reform Support Programme and a progress report on the National Productivity Boards.

For the thirteen Member States identified in November 2018 as at risk of macroeconomic imbalances, the Country reports include also the **in-depth reviews** (IDRs) in the context of MIP. Each IDR:

- takes into account spillovers to other countries, especially for the eurozone countries;
- includes a “MIP assessment matrix” that summarises the main findings of the IDR, focuses on imbalances and adjustment issues relevant for the MIP and presents synthetic conclusions (Annex 3 presents the synthetic conclusions for the concerned Member States and Annex 4 presents the Commission’s assessment of the implementation of MIP-related CSRs);
- for the Member States considered in a situation of excessive macroeconomic imbalances or macroeconomic imbalances in 2018, presents the main conclusions of the specific monitoring carried out in 2018.

Based on the IDRs, the Commission concluded that:

- **3** Member States are considered being in a situation of **"excessive macroeconomic imbalances"**: Greece, Italy, and Cyprus;
- **10** Member States are considered being in a situation of **"macroeconomic imbalances"**: Bulgaria, Croatia, France, Germany, Ireland, Romania, Spain, the Netherland, Portugal and Sweden;
- **15** Member States are not considered at risk of **“macroeconomic imbalances**”: Belgium, Czechia, Denmark, Estonia, Latvia, Lithuania, Luxembourg, Hungary, Malta, Austria, Poland, Slovakia, Slovenia, Finland and the United Kingdom.

[2] The European Pillar of Social Rights, adopted in November 2017, is designed as a compass for a renewed process of upward convergence towards better working and living conditions in the EU.

Once again, the Commission did not propose the opening of the **Excessive Imbalance Procedure** for Member States considered as having excessive macroeconomic imbalances: despite being advocated by many (see Box 3), this procedure has not been proposed, so far. For Italy, the Commission will "*closely monitor developments in Italy and assess policy steps and commitments to address imbalances, in particular the level of ambition of the National Reform Programme, in the context of the forthcoming European Semester spring package*."

The Country reports constituted the analytical basis for dialogues between the Commission and the Member States before the submission of their **National Reform Programmes** (NRPs) in April, as well as for the formulation of the Commission's proposals for the 2019 Country Specific Recommendations (CSRs).

On 21-22 March 2019, the European Council endorsed the Recommendation on the economic policy of the euro area and provided guidance to Member States for their 2019 National Reform Programmes and Stability or Convergence Programmes. In May, the Council drew its conclusions on the In-depth reviews and the implementation of the 2018 CSRs.

1.3 The Country Specific recommendations for 2019/2020

The Commission presented on 5 June the draft 2019 CSRs, giving economic policy guidance to all EU Member States for the next 12 to 18 months. The Commission noted that the European economy is growing for the seventh consecutive year and is set to continue expanding in 2020, with all Member States' economies growing despite less favourable conditions and global uncertainties. The number of people in employment is at a record high and unemployment at a record low. At the same time, there are still significant differences between countries, regions and population groups. Against this backdrop, the Commission called on Member States to build on the progress made in recent years, amid persisting and new economic and social challenges. In this year's cycle, the Commission focused on the investment needs of each Member State, as a way to prepare for the programming of the future EU funds and to ensure that reform and investment priorities are well aligned at national level, so that EU support can be best used.

For Member States experiencing macroeconomic imbalances or excessive macroeconomic imbalances, the **CSRs are partly or totally underpinned by the MIP.**

On 9 July 2019, the Council adopted the 2019 CSR. The adoption is the final stage of the 2019 European Semester. The European Council held a discussion on the CSRs in June. The employment policy parts were approved by the Employment, Social Policy, Health and Consumer Affairs Council, while the economic parts were discussed by the ECOFIN Council.

Annex 4 presents the 2018 CSRs underpinned by the MIP procedure, together with the corresponding Commission's assessment of their implementation, and the 2019 CSRs, for each relevant Member State. Among the 48 CSRs targeting the thirteen Member States with macroeconomic imbalances, 40 have the MIP as a legal basis. In 2019, all the CSRs adopted for the three Member States experiencing excessive macroeconomic imbalance are underpinned by the MIP procedure (2 for Greece, 5 for Italy and 5 for Cyprus). Section 2.2 below provides details on the evolution of MIP-related CSRs and their implementation over time.

1.4 Next steps

In accordance with Regulation 1176/2011 on the MIP, the **Commission will review and report on the application of the MIP** at the latest by **December 2019**.

For those countries that have been identified as experiencing imbalances, the **Commission** carries specific monitoring activities on a continuous basis.

In addition, Economic dialogues with representatives of the relevant institutions (Commission, the Eurogroup and the Council) may be held in the competent committee of the European Parliament.

2. Implementation of MIP over time

2.1 Member States assessed as having macro-economic imbalances[3]

From the MIP's inception until the 2015 round, an increasing number of countries had been both covered by in-depth reviews and classified as having excessive imbalances, but the trend seems to be reversed in the latest rounds. Table 1 below shows that the number of Member States:

- subject to an **IDR** increased from 12 to 19 between 2012 and 2016, declined to 12 in 2018 and are 13 in the context of the 2019 European Semester cycle;
- considered as experiencing **imbalances** rose from 12 to 16 between 2012 and 2015, fell to 11 in 2018 and 10 in 2019;
- considered as experiencing **excessive imbalances** increased from 0 to 6 between 2012 and 2017, but fell to 3 in 2018 and stabilized to 3 in 2019.

The Commission has not yet proposed to open the **Excessive Imbalance Procedure** (EIP): a Member State subject to this procedure would be classified in Table 1 as experiencing "*excessive imbalances with corrective action*" (see also Box 3 "Selected statements/positions on the corrective arm of MIP"). In 2016 the Commission had threatened to recommend to the Council an EIP (for Croatia and Portugal), taking into account the level of ambition of their National Reform Programmes. Based on its assessment of the policy commitments of both Member States and on the presumption that there would be a swift and full implementation of the reforms set out in their CSRs, the Commission eventually concluded that there was no need to step up the MIP. In 2019, the Commission has threatened the same for Italy.

Table 1: MIP stylized facts

	Semester/MIP cycle							
	2012	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
(1) Countries under adjustment programme	4	5	4	2	1	1	1	0
(2) Countries subject to IDR, *out of which*:*	12	13	17	16	19	13	12	13
(2.1) Excessive imbalances with corrective action	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
(2.2) Excessive imbalances	***0***	***2***	***3***	***5***	***6***	***6***	***3***	***3***
(2.3) Imbalances	***12***	***11***	***11***	***11***	***7***	***6***	***8***	***10***
(2.4) No imbalances detected in IDR	*0*	*0*	*3*	*0*	*6*	*1*	*1*	*0*
(3) Countries not subject to IDR (No imbalances)	11	9	7	10	8	14	15	15
Total = (1) + (2) + (3)	**27**	**27**	**28**	**28**	**28**	**28**	**28**	**28**

Source: European Commission and EGOV.
Note: * The table refers to the streamlined categories applied from the 2016 cycle onwards.

Table 2 depicts the situation of Member States with respect to MIP since its inception in 2012. Italy has been experiencing *excessive imbalances* for six consecutive years, and *Excessive imbalances* are identified in Cyprus for a fourth year in a row. It can also be noted that one Member State (Sweden) is experiencing *imbalances* since 2012, while the Netherlands since 2013 and Germany since 2014.

[3] See also the Commission publication "The Macroeconomic Imbalance Procedure - Rationale, Process, Application: a Compendium" that provides an overview of how the framework functions and how its application has evolved over time.

Table 2: Commission's conclusions under MIP

No Imbalances								Imbalances								Excessive imbalances							
2012	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**208**	**2019**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
CZ*	CZ*	CZ*	CZ*	BE	BE*	BE*	BE*	BE	BE	BE	BE	DE	DE	BG	BG		ES	**HR**	**BG**	**BG**	**BG**	**HR**	**IT**
DE*	DE*	DK	DK*	CZ*	CZ*	CZ*	CZ*	BG	BG	BG	DE	IE	IE	FR	FR		SI	**IT**	**FR**	**FR**	**FR**	**IT**	**CY**
EE*	EE*	EE*	EE*	DK*	DK*	DK*	DK*	DK	DK	DE	IE	ES	ES	DE	DE			SI	**HR**	**HR**	**HR**	**CY**	**EL**
LV*	LV*	LV*	LV*	EE	EE*	EE*	EE*	ES	FR	IE	ES	NL	NL	IE	HR				**IT**	**IT**	**IT**		
LT*	LT*	LT*	LT*	LV*	LV*	LV*	LV*	FR	IT	ES	HU	SI	SI	ES	IE				**PT**	**PT**	**PT**		
LU*	LU*	LU	LU*	LT*	LT*	LT*	LT*	IT	HU	FR	NL	FI	**SE**	NL	ES					**CY**	**CY**		
MT*	AT*	MT	MT*	LU*	LU*	LU*	LU*	CY	MT	HU	RO	**SE**		PT	NL								
NL*	PL*	AT*	AT*	HU	HU*	HU*	HU*	HU	NL	NL	SI			**SE**	PT								
AT*	SK*	PL*	PL*	MT*	MT*	MT*	MT*	SI	FI	FI	FI				**SE**								
PL*		SK*	SK*	AT	AT*	AT*	AT*	FI	**SE**	**SE**	**SE**				RO								
SK*				PL*	PL*	PL*	PL*	**SE**	UK	UK	UK												
				RO	RO*	RO*	SK*	UK															
				SK*	SK*	SK*	SI*																
				UK	UK*	SI	FI*																
					FI	FI*	UK*																
						UK																	

Source: EGOV based on European Commission.
Note: The table refers only to the streamlined categories applied from the 2016 cycle onwards.
(*) Countries not considered at risk of macroeconomic imbalances, therefore not subject to in-depth reviews according to the AMR.

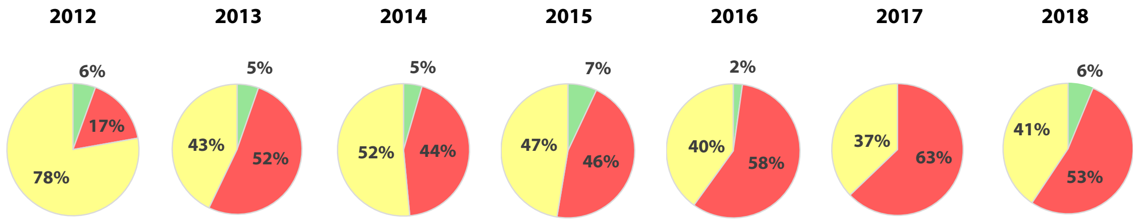
2.2 Implementation of CSRs underpinned by MIP

The credibility of the MIP, as part of the European Semester, depends *inter alia* on countries' implementation of the Country Specific Recommendations, which is measured by their implementation track record. The Commission adopts a multi-annual perspective in its assessment of the implementation of the CSRs, "... to account for the time needed for the full implementation of critical reforms". In its Communication of February 2019, it stated "*All Member States have made progress with the implementation of the country-specific recommendations albeit to varying degrees. Since the start of the Semester in 2011, Member States have made at least 'some progress' with the implementation of more than two thirds of all the country-specific recommendations. This rate of progress is broadly stable compared to the Commission assessment in May 2018.*"

With regards to the implementation of the CSRs underpinned by the MIP, Figure 3 below shows the implementation rate of MIP-specific CSRs. The percentage of CSRs showing limited/no progress decreased in 2018, after a continuous increase from 2014 to 2018. The percentage of CSRs showing full/substantial progress also increased to 6 in 2018, compared to 0 in 2017[4].

[4] Macroeconomic imbalances typically take several years to correct, as different types of structural reforms produce the expected effects over variable time horizons; an IMF study shows that reforms in labour market may have a negative impact in the short term, while reforms in goods and services markets are visible in a shorter time lag.

Figure 3: Implementation of CSRs based on MIP (2012-2018)



	2012	2013	2014	2015	2016	2017	2018
Total MIP-CSRs	**36**	**56**	**66**	**57**	**45**	**35**	**32**
Member States	12	13	14	16	13	12	11

Source: EGOV based on European Commission assessments.
Note: The assessment grid of CSRs implementation is as follows: full/substantial progress, some progress and limited/no progress.

Table 3 shows that Member States experiencing excessive imbalances during the 2018 cycle implemented recommendations underpinned by the MIP and joint SGP/MIP legal bases to varying degrees; the progress in the implementation was assessed in the Country reports published by the Commission in February 2019[5]. Cyprus fully implemented one CSR, Italy implemented three out of four CSRs to a limited extent only and Croatia showed some progress for three out of four CSRs. Croatia is no more experiencing excessive macroeconomic imbalances.

Table 3: Commission's assessment on the implementation of 2018 CSRs for Member States with excessive imbalances during 2018 MIP Cycle

	Joint SGP and MIP legal base	MIP legal base			
HR	CSR1	CSR2	CSR3	CSR4	
IT	CSR1	CSR2	CSR3	CSR4	
CY	CSR1	CSR2	CSR3	CSR4	CSR5

Source: EGOV based on European Commission assessments.
Note: The assessment grid of CSRs implementation is as follows: full/substantial progress, some progress and limited/no progress.

Annex 4 presents the 2018 MIP-related CSRs, the assessment of their implementation and the CSRS 2019 for the relevant Member States (see a separate EGOV document for a presentation of all the 2018, the Commission's assessments of their implementation and the 2019 CSRs).

[5] See also the EGOV note on "Implementation of CSRs under MIP - March 2019"

Box 3: Selected statements/positions on the corrective arm of MIP

ECOFIN Council

The Council, in its conclusions of May 2019, reiterated that "*the MIP should be used to its full potential and in a transparent and consistent way, ensuring Member States' ownership of the procedure, including the* ***activation of the excessive imbalance procedure*** *where found appropriate by the Commission and the Council…* ***whenever the Commission concludes that a Member State is experiencing excessive imbalances, but does not propose to the Council the opening of the excessive imbalance procedure, it should clearly and publicly explain its reasons***.". Similar text was included in the ECOFIN conclusions of January 2019, January and March 2018, January and May 2017.

European Central Bank

In its publication of June 2018, the ECB stated "*from 2015 to 2017 three to four countries were continuously included in the excessive imbalance group. One country has been assessed as having had excessive imbalances for 5 years in a row. Despite the unchanged assessment, these countries continued to be part of the preventive arm of the MIP.* ***A situation with persistently excessive imbalances warrants a strong policy response, as past experience has shown that the correction of imbalances accumulated over a long period of time is very costly****. This is the reason why the ECB has consistently argued that the MIP tools – including the full corrective arm of the procedure – should be fully employed in relation to those countries with excessive imbalances… The use of such tools is desirable not only in order to increase the economic prospects of the relevant country itself, but also to help facilitate economic adjustment processes inside the euro area and enhance the resilience of the euro area. It is thus in the interest of the euro area as a whole, in particular given the fact that a tool, the EIP, has already been set up to deal with those cases.* "

In July 2017, the ECB had called again on the Commission to make use of the MIP corrective arm. "***The number of CSRs has been reduced for countries with excessive imbalances*** *and in several cases* ***the level of urgency has been reduced****, insofar as the CSRs contain significantly fewer deadlines compared with last year's recommendations****. This comes despite the limited implementation of CSRs for countries with excessive imbalances****. Given the difficulties of strengthening reform implementation in the context of the preventive arm of the macroeconomic imbalance procedure,* ***there seems to be a strong case for applying the corrective arm of this procedure for all countries with excessive imbalances.*** *This tool, which has not been used so far, offers a well-defined process ensuring greater traction on reform implementation for the most vulnerable Member States.*" Previous similar statements were published in March 2017, March and February 2016.

The Five Presidents Report

The Five President Report on "Completing Europe's Economic and Monetary Union" of June 2015 affirms the need to use the MIP "*to its full potential. This requires action on two fronts in particular:*

- It should be used not just to detect imbalances but also to encourage structural reforms through the European Semester. Its corrective arm should be used forcefully. **It should be triggered as soon as excessive imbalances are identified and be used to monitor reform implementation**.
- The procedure should also better capture imbalances for the euro area as a whole, not just for each individual country. For this, it needs to continue to focus on correcting harmful external deficits, given the risk they pose to the smooth functioning of the euro area …"

IMF

In the context of the 2017 Art. IV consultation report on the euro area, "*IMF Directors reiterated their call for* ***stricter enforcement of the Macroeconomic Imbalances Procedure*** *combined with incentives for structural reforms, such as targeted support from central funds and outcome based benchmarks.*" The staff report reads (p. 18) "*The weak implementation of CSRs in most countries, including by those six countries identified with excessive imbalances under the MIP, suggests that the* ***EU instruments are currently not being used effectively****. To build credibility, stronger enforcement of the governance framework is needed.*" The accompanying footnote reads "*While considering progress toward correcting excessive external imbalances in February 2017, the* ***EC has again used its discretionary powers not to open the excessive imbalances procedure in six cases****, despite these countries having made only 'limited' or 'some' progress in implementing CSRs.*"

European Court of Auditor

The Auditors' Report on the MIP notes that the Commission has never recommended activating the excessive imbalance procedure, despite several member States having been identified with excessive imbalances over a prolonged period (see also Box 4).

Box 4: The Special Report of the European Court of Auditors on the MIP

On 23 January 2018, the European Court of Auditors (ECA) published its Special Report on the Macroeconomic Imbalance Procedure.

The ECA examined the Commission's implementation of the Macroeconomic Imbalance Procedure, on the basis - *inter alia* - on stakeholders' opinion and detailed analysis of four Member States (Bulgaria, Slovenia, France and Spain).

The ECA found that although the MIP is generally well designed, **the Commission is not implementing it in a way that would ensure effective prevention and correction of imbalances**. More specifically:

- the classification of Member States with imbalances lacks transparency;
- the Commission's in-depth analysis - despite being of a good standard - has become less visible;
- the country specific recommendations do not stem from identified imbalances;
- there is lack of public awareness of the procedure and its implications.

Furthermore, the ECA pointed to the political rather than technical process on the opening of the EIP (paras 61-66) and addresses the weakness of the MIP scoreboard (paras 88-96).

The ECA made six Recommendations to the Commission, aimed at to substantially improve certain aspects of its management and to give greater prominence to the MIP. They can be summarised as follows:

1. clearly link MIP country specific recommendations to specific macroeconomic imbalances;
2. in its IDRs, clearly characterise the severity of the imbalances that Member States are facing. The Commission should, unless there are specific circumstances, recommend activating an **excessive imbalance procedure** when there is evidence that a Member State is facing excessive imbalances. Propose an amendment to the MIP regulation on this process;
3. separate the IDR from the Country report, to allow for a comprehensive analysis of the macroeconomic imbalances;
4. use the **MIP to make fiscal recommendations** to Member States when fiscal policy directly affects external imbalances and competitiveness. MIP-CSRs should be made consistent with recommendations for the euro area, including on the overall fiscal stance;
5. give greater prominence to the MIP by improving all communication aspects. When it assesses imbalances as excessive, make the relevant **Commissioners available to Member State parliaments** to explain the MIP related policy recommendations.

The publication includes a detailed **reply by the Commission** to each section of the ECA Reports'. As far as the ECA's recommendations are concerned, the Commission accepts all the Recommendations, with the exception of 2(ii), on the codification of the definition of imbalances or excessive imbalances; and 2(iv) on the amendment of the MIP regulation concerning the opening of the EIP.

The President of the ECA presented the report at the ECOFIN Council of 13 March 2018, which drew its conclusions. The Council welcomed that the Commission accepted most of the ECA's recommendations.

In its conclusions of the meeting of January 2019, the Council invited the Commission to take note of the ECA recommendations when the Commission will **review and report on the application of the MIP at the latest by December 2019,** in accordance with Regulation 1176/2011 on the MIP.

Annex 1: Procedural changes to the MIP[6]

In line with its Communication "On steps towards completing Economic and Monetary Union" of October 2015, the European Commission introduced **several changes** in the Semester, aimed at fostering the integration of the euro area and national dimensions, strengthening the focus on employment, social performance, investment and competitiveness as well as at improving the whole procedure transparency. Specifically on MIP, the Commission stated how "*experience suggests that implementation of MIP can be improved in a number of ways*", and noted that the six levels scale of imbalances used up to 2015 to classify Member States in the context of the MIP was not transparent.

In 2016, several actions from the Commission were in line with such considerations:

- The Commission introduced in the MIP scoreboard **three new employment-related indicators,** namely activity rate, long-term and youth unemployment[7].
- The Commission introduced some **changes in the calendar** of the Semester and the MIP, namely:
    - it anticipated to November the draft Council recommendations for the euro area;
    - it anticipated the publication of the IDRs to February and integrated them in the Country reports. These reports constitute the basis for dialogues between the Commission and the Member States before submission of their National Reform Programmes, as well as for the preparations of the CSRs. They provide also an assessment of the **implementation of the previous CSRs**[8] .
- The commission **reduced the number of MIP categories** from six to four, as shown in Table A.1.

Each of the IDRs takes into account **spill-overs** to other countries, especially for the euro area countries, and systemic issues. The IDRs also include the "**MIP assessment matrix"**, which summarises the main findings and focuses on imbalances and adjustment issues relevant for the MIP.

Table A.1: Categorisation of imbalances in the macroeconomic imbalance procedure

Previous categories (6)	Streamlined categories (4)
No imbalances	No imbalances
Imbalances, which require policy action and monitoring Imbalances, which require decisive policy action and monitoring Imbalances, which require decisive policy action and specific monitoring	Imbalances
Excessive imbalances, which require decisive policy action and specific monitoring	Excessive imbalances
Excessive imbalances with corrective action*	Excessive imbalances with corrective action*

Source: European Commission.
* Corrective action consists in the opening of the Excessive Imbalance Procedure

[6] See also the Commission publication "The Macroeconomic Imbalance Procedure - Rationale, Process, Application: a Compendium" of November 2016, which provides an overview of how the framework functions and how its application has evolved over time.
[7] The ECOFIN Council, on 16 January 2016 "*expressed concern about the inclusion of three additional employment indicators to the main scoreboard, given the need to preserve the effectiveness of the scoreboard as an early warning device... Underlined that social and labour market indicators are not relevant for identifying macro-financial risks and developments in these indicators cannot trigger steps in the MIP process*".
[8] Prior to the streamlined Semester, only the in-depth reviews were published in March, while the Country Reports (previously called Staff Working Documents) were issued in May/June. The publication of a single comprehensive report at an earlier stage is expected to help increase the transparency of the European Semester, as well as its integration in the National reform Programmes.

Table A.1 shows the categorisation of possible macroeconomic imbalances introduced in March 2016. All countries with imbalances are subject to specific monitoring, that is tighter for countries with excessive imbalances and consists in dialogues with the national authorities, expert missions and regular progress reports, which should also help monitoring of the implementation of the CSRs in the Member States concerned. Countries in the category 'excessive imbalances with corrective action' are subject to the excessive imbalance procedure (EIP) entailing policy recommendations to remedy the imbalances and follow-up through a corrective action plan.

In 2018, the Commission introduced a number of new auxiliary indicators (technical detail are available in this Commission SWD), namely:

- **NIIP excluding non-defaultable instruments (NENDI)** replaces Net external debt: this indicator provides a broader representation of external stocks (both assets and liabilities) carrying default risks. The new indicator profits from the revised methodology for balance of payments statistics (from BPM5 to BPM6), which allows a finer breakdown of foreign assets and liabilities. Compared with NED, NENDI: (i) excludes net intra-company foreign direct investment (FDI) debt, which in some cases accounts for a large share of cross-border debt without representing solvency concerns; (ii) includes mutual fund shares, which are sometimes a very large item and are mostly backed by bonds; and (iii) includes net financial derivatives. Seen from a different perspective, NENDI is a subset of the NIIP that excludes equity-related components, namely FDI equity and equity shares, and intra-company cross-border FDI debt.
- **Consolidated banking leverage** (domestic and foreign entities from ECB consolidated banking data) replaces the non-consolidated financial sector leverage indicator from national account. This indicator has more clear economic interpretation, is comparable across countries, and is consistently based on book values, even if it covers the banking sector only.
- **Household debt (consolidated)** to complement the headline indicator on private sector debt;
- **Gross nonperforming loans**, which provides complementary information to assess private sector debt. The addition of the latter has become possible thanks to the availability of cross-country-comparable data in the ECB's consolidated banking statistics as of 2015.

To keep the scoreboard relevant and parsimonious, two auxiliary indicators previously included were dropped:

- the ten-year change in nominal unit labour costs (as it overlaps with data on three-year change on unit labour costs among the headline indicators and on ten-year change in unit labour costs relative to euro area also in the auxiliary indicators);
- non-consolidated private sector debt (which has been superseded by the headline indicator on consolidated private sector debt).

Auxiliary MIP indicators have no thresholds and are less visible than the headline "MIP scoreboard indicators"; nevertheless, they are of high statistical quality and comparable among Member States.

Annex 2: MIP scoreboard 2019 (reference year 2017)

	External imbalances and competitiveness					Internal imbalances						Employment Indicators		
Year 2017	**Current Account Balance** % of GDP 3 year average	**Net International Investment Position** % of GDP	**Real Effective Exchange Rate with HICP deflator** 3 year % change	**Export Market Shares** 5 year % change	**Nominal ULC (2010=100)** 3 year % change	**House Prices index deflated** 1 year % change	**Private Sector Credit Flow** % of GDP	**Private Sector Debt,** consolidated % of GDP	**General Government Gross Debt** % of GDP	**Unemployment rate** 3 year average	**Total Financial Sector Liabilities, non-consolidated** 1 year % change	**Activity rate** % of total pop. aged 15-64 3 year change	**Long term unemployment rate** % of active pop. aged 15-74 3 year change	**Youth unemployment rate** % of active pop. aged 15-24 3 year change
Thresholds	**-4/+6%**	**-35%**	**±5% (EA) ±11% (non-EA)**	**-6%**	**+9% (EA) 12% (non-EA)**	**+6%**	**14%**	**133%**	**60%**	**10%**	**16.5%**	**-0.2 pp**	**0.5 pp**	**2 pp**
BE	-0.3	52.6	0.9	3.9	1.1	1.5	-1.5	187.0	103.4	7.8	0.7	0.3	-0.8	-3.9
BG	3.1	-42.8	-3.3	19.4	13.6	6.2	6.2	100.1	25.6	7.7	1.1	2.3	-3.5	-10.9
CZ	1.0	-26.5	5.4	8.2	5.9	9.1	4.1	67.4	34.7	4.0	22.9	2.4	-1.7	-8.0
DK	8.1	56.3	-2.1	0.5	3.0	3.2	-1.4	204.0	36.1	6.0	4.1	0.7	-0.4	-1.6
DE	8.4	54.0	-2.5	6.5	5.1	2.9	4.9	100.1	63.9	4.2	4.0	0.5	-0.6	-0.9
EE	2.3	-31.4	2.9	2.6	12.4	1.8	3.6	106.4	8.7	6.3	9.7	3.6	-1.4	-2.9
IE	2.9	-149.3	-6.2	64.4	-17.2	9.5	-7.5	243.6	68.4	8.4	4.3	0.9	-3.6	-9.0
EL	-0.8	-142.5	-2.8	-10.0	-1.0	-2.2	-0.8	116.4	176.1	23.3	-12.9	0.9	-3.9	-8.8
ES	1.8	-83.8	-2.5	9.8	0.0	4.5	0.2	138.8	98.1	19.6	4.0	-0.3	-5.2	-14.6
FR	-0.6	-20.1	-2.9	2.7	1.3	1.8	7.0	148.2	98.5	10.0	4.3	0.5	-0.3	-1.9
HR	3.6	-62.4	0.0	20.0	-4.3	2.8	1.2	98.4	77.5	13.5	3.9	0.3	-5.5	-17.7
IT	2.3	-5.3	-3.1	2.0	1.1	-2.0	2.1	110.5	131.2	11.6	4.3	1.5	-1.2	-8.0
CY	-5.0	-121.5	-6.6	6.9	-2.7	1.3	8.7	316.3	96.1	13.0	-2.3	-0.4	-3.2	-11.3
LV	0.6	-56.3	1.7	7.8	14.7	5.5	0.3	83.5	40.0	9.4	6.1	2.4	-1.3	-2.6
LT	-0.7	-35.9	2.3	9.7	16.0	5.4	3.7	56.1	39.4	8.0	14.0	2.2	-2.1	-6.0
LU	5.0	47.0	-0.9	25.2	7.1	4.1	-15.5	322.9	23.0	6.1	-1.7	-0.6	0.5	-6.9
HU	4.0	-52.9	0.1	11.3	6.7	3.3	0.9	71.4	73.3	5.4	-8.0	4.2	-2.0	-9.7
MT	8.4	62.6	-2.3	11.2	1.7	4.1	2.9	120.2	50.9	5.2	4.7	4.4	-1.1	-1.2
NL	8.3	59.7	-1.6	1.2	-0.2	6.0	3.0	252.1	57.0	5.9	2.0	0.7	-1.0	-3.8
AT	2.1	3.7	0.3	2.3	3.7	3.5	4.3	122.5	78.3	5.7	1.8	1.0	0.3	-0.5
PL	-0.3	-61.2	-3.4	28.4	4.5	1.7	2.7	76.4	50.6	6.2	6.3	1.7	-2.3	-9.1
PT	0.4	-104.9	-0.7	14.6	3.5	7.9	1.3	162.2	124.8	10.9	1.8	1.5	-3.9	-10.9
RO	-2.2	-47.7	-5.5	37.0	11.9	4.0	1.7	50.8	35.1	5.9	8.1	1.6	-0.8	-5.7
SI	5.7	-32.3	-2.0	18.6	3.4	6.2	0.8	75.6	74.1	7.9	5.1	3.3	-2.2	-9.0
SK	-2.0	-65.6	-1.9	6.7	6.9	4.4	5.9	96.1	50.9	9.8	17.9	1.8	-4.2	-10.8
FI	-0.7	2.4	-2.6	-4.3	-2.5	0.5	8.2	146.4	61.3	8.9	-3.8	1.3	0.2	-0.4
SE	4.0	1.8	-5.4	-4.3	3.7	4.6	13.1	194.4	40.8	7.0	6.8	1.0	-0.2	-5.1
UK	-4.6	-8.6	-10.7	-1.0	5.4	2.4	8.4	169.0	87.4	4.8	-1.6	0.9	-1.1	-4.9

Source: 2019 AMR. Boxes shaded in grey indicate values outside the threshold. A dedicated Eurostat website presents the latest available figures

Annex 3: Summaries of the in-depth-reviews for the 13 Member States considered at risk of macroeconomic imbalances in the 2019 AMR

Source: Commission Communication on "2019 European Semester: Assessment of progress on structural reforms, prevention and correction of macroeconomic imbalances, and results of in-depth reviews under Regulation (EU) No 1176/2011" of February 2019.

Bulgaria is experiencing imbalances. Vulnerabilities in the financial sector are coupled with high indebtedness and non-performing loans in the corporate sector. The net external position has improved on the back of robust growth and large current account surpluses. Steps have been taken to strengthen the stability of the financial sector. Banks and other financial corporations have made further progress in implementing the recommendations addressed after the asset quality and balance sheet reviews, and supervision has been strengthened. However, fragilities linked to weak governance, asset quality and supervision remain, while new challenges are emerging in the insurance sector. The robust growth has supported continuous private deleveraging and further decreases in non-performing loan ratios, but stocks of non-performing loans in the corporate sector are still elevated. While there is progress in addressing sources of imbalances, the full implementation and monitoring of recent reforms to supervision and governance in the bank and non-bank financial sectors will be crucial. More action is also needed to reduce the stock of non-performing loans and to complete the reform of the insolvency framework.

Cyprus is experiencing excessive imbalances. A very high share of non-performing loans burdens the financial sector and high stock of private, public, and external debt hangs on the economy, in a context of still relatively high, even though declining, unemployment and weak potential growth. The current account deficit is significantly negative, even taking into account the presence of special purpose entities, reflecting strong domestic demand as well as the negative saving among households, and is not adequate to guarantee a sustainable adjustment of the large stock of net external liabilities. Deleveraging of private sector debt is ongoing but only slowly. New lending to the private sector remains limited. The transfer of a significant portfolio of non-performing loans from the Cyprus Cooperative Bank to the public sector in the context of the bank's sale and wind-down reduced significantly the share of nonperforming loans in the banking system. However, non-performing loans remain high for both households and corporations. The government support in the sale of the Cyprus Cooperative Bank had a one-off increasing impact on public debt in 2018. Looking forward, the high public debt is expected to be on a declining path on the back of a continued strong fiscal performance. Compared to last year, the reform momentum has been stepped up especially on the front of measures to address the vulnerabilities from non-performing loans, but more progress is needed on structural reforms to increase the growth potential.

Germany is experiencing imbalances. The high and slowly declining current account surplus reflects a subdued level of investment relative to saving in both the private and the public sector and has cross-border relevance. This is in spite of an increasing need for investment and innovation to make the German economy more resilient and to ensure a sustainable and inclusive growth model. The surplus slightly narrowed in 2018 in the context of a pick-up in domestic demand and is expected to continue to decline gradually in the coming years, while remaining at a historically high level. Private and public investment have increased noticeably and there is a shift towards more domestic demand-driven growth. Yet investment, but also consumption, remain muted as a share of GDP despite the favourable financing conditions, the persistent infrastructure and education investment needs, especially at municipal level, and the available fiscal space. The budget surplus grew in 2018 and the debt ratio declined further. Wage growth increased somewhat with the tightening labour market, yet real wage growth remains modest. While a number of measures have been taken to strengthen private and public investment, more efforts are needed to clear the large investment gap, particularly as regards public investment in infrastructure and education. There has been less progress in other policy areas.

Greece is experiencing excessive imbalances. Vulnerabilities are linked to high government indebtedness, the negative external position, the high share of non-performing loans, incomplete external rebalancing, in a context of high, although declining, unemployment and low potential growth. Greece managed to successfully exit the European Stability Mechanism support programme in August 2018, after making substantial improvements in recent years. Nonetheless, large stock imbalances remain, including a deeply negative net international investment position that is still deteriorating, amid moderate nominal GDP growth and a current account balance that remains negative. There have been considerable improvements in cost competitiveness in past years, which stalled recently in light of subdued productivity growth. While the level of public debt remains high, it is mostly held by the official-sector creditors, and financing needs will be relatively low for at least a decade. The pace of debt reduction crucially depends on the continued achievement of the agreed fiscal targets and implementation of reforms to generate a sustainable increase in the growth potential. The financial sector is vulnerable due to a very large stock of non-performing loans and a low profitability, hampering credit growth and the recovery of investment. Private debt is decreasing while active deleveraging is still ongoing. Wide-ranging measures were taken during the financial assistance programmes to address many of the structural weaknesses of the Greek economy. On top of consolidating earlier reforms and adjustment efforts, the authorities have committed to ensure continuity and completion of reforms, which are monitored in the framework of enhanced surveillance.

Ireland is experiencing imbalances. Large stocks of private and public debt and net external liabilities constitute vulnerabilities. However, stock imbalances are under substantial correction. The activities of multinational firms with little connection to the domestic economy heavily influence net foreign liabilities, which are falling on the back of large current account surpluses. The stock of private debt remains high but economic growth continues to support private deleveraging. The activities of multinational enterprises continue to influence corporate debt. Household debt appears broadly in line with fundamentals, although it is high compared with disposable income. Government debt is projected to remain on a downward trajectory, while the deficit is moving closer to a balanced position. House prices have been growing at a rapid pace for a number of years, but have slowed down recently. House prices are largely driven by supply constraints and there is no clear evidence of overvaluation. The stock of non-performing loans, although still high, has decreased further, even if long-term arrears are falling at a slower pace. Policy action addressing these vulnerabilities has been taken, notably in the field of housing supply and macroprudential policy, but some measures will take time to generate the expected effects.

Spain is experiencing imbalances. Though economic growth remains robust, large stocks of external and internal debt, both public and private, continue to constitute vulnerabilities in a context of still high unemployment, and have cross-border relevance. The rebalancing in the external sector has continued, even if the current account surplus weakened in 2018, reflecting factors linked to the global environment. Sustained current account surpluses over an extended period of time will be needed to bring net external liabilities down to prudent levels. Debt reduction for the private sector also progressed, on the back of robust nominal growth. The non-performing loans ratio has decreased further. Public debt has decreased slightly, with narrowing deficits forecast to support its further gradual reduction. Still, further efforts will be needed to bring public finances onto a more sustainable path. Unemployment has continued its decline, but remains high. Implementation of policy action to raise potential growth has been slow. Challenges remain, in particular concerning labour market segmentation, research and innovation, and business regulation, notably for services.

France is experiencing imbalances. Vulnerabilities stem from high public debt and weak competitiveness dynamics, in a context of low productivity growth, which carry cross-border relevance. Government debt was broadly stable in 2018, although at an elevated level. It is forecast to recede only marginally. The high level of public debt reduces the fiscal space available to respond to future shocks and weighs on growth prospects. Unit labour cost increases continue to be moderate in a context of low productivity growth. Some elements of the business environment still weigh on non-cost competitiveness. Reforms have been taken in recent years, with progress on several fronts including labour markets, taxation and business environment. However, the effects of these reforms still have to fully materialise, while further action is warranted in other fields, such as the reform of the unemployment benefit system, the reform of the pension system, and the spending review to ensure the sustainability of public finances and to enhance the growth potential.

Croatia is experiencing imbalances. Remaining vulnerabilities are linked to high levels of public, private and external debt in a context of low potential growth. However, they have been narrowing over the past years. This was supported by robust nominal growth, above estimated potential, and a prudent fiscal policy. The negative net external position remains large, but has been improving due to continued current account surpluses. Private sector deleveraging is ongoing, though its pace is set to abate, as credit growth and investment recover. The budget balance has been in surplus since 2017 and public debt has declined notably since its 2014 peak. The financial sector is well-capitalised and profitable, while nonperforming loans, although declining, remain elevated. The foreign currency exposure of corporations and households has reduced, but remains a vulnerability. Policy action has been stepped up with the adoption of a pension reform and new legislation to improve the fiscal framework. Other relevant policy measures are in the pipeline and their thorough implementation remains crucial for strengthening the resilience of the economy.

Italy is experiencing excessive imbalances. High government debt and protracted weak productivity dynamics imply risks with cross-border relevance, in a context of still high level of non-performing loans and high unemployment. The government debt ratio is not expected to decline in the coming years, as the weak macroeconomic outlook and the government's current fiscal plans, though less expansionary than its initial plans for 2019, will entail a deterioration of the primary surplus. Cost competitiveness is stable, but weak productivity growth persists. This is rooted in long-standing issues with the functioning of labour, capital and product markets, compounded by weaknesses in the public administration and justice system, which drags down potential GDP growth. The stock of non-performing loans has continued to decline significantly, but maintaining the pace of reduction of non-performing loan could prove challenging given market conditions. Higher sovereign yields compared to the levels of early 2018 are affecting banks' funding costs and capital buffers, weighing on lending to the rest of the economy and on GDP growth. Despite some progress in banks' balance sheet repair, insolvency reforms and active labour market policies, the reform momentum broadly stalled in 2018. The 2019 budget includes policy measures that reverse elements of previous important reforms, in particular in the area of pensions, and does not include effective measures to increase potential growth.

The **Netherlands** is experiencing imbalances. The high stock of private debt and the large current account surplus constitute sources of imbalances, with cross-border relevance. The surplus peaked in 2017 at a very high level, and it is expected to decline gradually although remaining very elevated. Part of the external surplus can be attributed to statistical features linked to the role of multinational companies and is not expected to attenuate in the near future. Supported by economic growth, the private debt-to-GDP ratio has continued its downward trend both for corporate and households, although remaining elevated. Nevertheless, nominal household debt is slowly increasing on the back of dynamic house price growth. Wage growth has so far been moderate despite the tightening labour market. Recent reforms, such as the speeding-up of the reduction of mortgage interest deductibility, are expected to reduce the debt bias for households, while fiscal stimulus is expected to contribute to support aggregate demand.

Portugal is experiencing imbalances. The large stocks of net external liabilities, private and public debt, and a high share of non-performing loans constitute vulnerabilities in a context of low productivity growth. The current account is broadly balanced but a continued prudent position and the maintenance of competitiveness gains are required to ensure the adjustment of net external liabilities to prudent levels. Private debt ratios continue to decline from high levels, on the back of nominal growth, with a reduced role of active deleveraging. Government debt started declining as from 2017, backed by primary surpluses while remaining elevated. Risks in the banking sector have diminished, including in light of recapitalisations of major banks in 2017 and a recent improvement in profitability. The large stock of non-performing loans has decreased but remains comparatively high. Ensuring higher productivity growth is key for improved prospects in competitiveness, deleveraging and potential growth. The labour market adjustment has progressed further and unemployment has been decreasing at a strong pace for several years. There has been policy action to address the level of non-performing loans but policy gaps remain in other areas, such as product and service markets. The adoption and implementation of several reform plans, including fiscal-structural reforms to improve the sustainability of public finances, will need to be monitored.

Sweden is experiencing imbalances. Overvalued house price levels coupled with a continued rise in household debt poses risks of a disorderly correction. The high household debt has continued to grow as a share of GDP. There has been a correction of house prices in the second half of 2017 which have since then gradually stabilised. Nevertheless, valuation indicators suggest that house prices remain high relative to fundamentals. Although the banking sector appears adequately capitalised, a disorderly correction would negatively affect the financial sector given the large exposure to household mortgages. In such a case, there could also be negative spill-overs to neighbouring countries given the systemic financial interlinkages. Structural bottlenecks for housing supply persist and construction output has weakened. Although measures have been taken in recent years in the macro prudential field to address mortgage debt growth, the impact appears so far limited. Key policy gaps remain, particularly in relation to tax incentives for home ownership and the functioning of housing supply and the rental market.

Romania is experiencing imbalances. Vulnerabilities are linked to cost competitiveness losses and a widening current account deficit in a context of an expansionary fiscal policy and an unpredictable business environment. Recent legislative initiatives create risks for the functioning of the financial sector and may harm private investment. The current account deficit has been growing on the back of buoyant imports, mainly for consumption purposes, and is forecast to widen further. The strong nominal GDP growth has nevertheless implied that the negative Net International Investment Position has been improving for some years but this may stall with the persistency of the current account deficits and lower GDP growth looking forward. Demand is fuelled by strong wage growth, inter alia linked to hikes in public wages and the minimum wage, which has translated into very substantial increases in unit labour costs. Despite cost competitiveness losses, so far export market shares have been growing. The expansionary fiscal stance, in a context of strong GDP growth, is forecast to continue thus contributing to buoyant private consumption dynamics. After declining for some years, the government debt ratio is projected to increase. Frequent and unpredictable legislative changes contribute to a weaker and uncertain business environment, with negative repercussions on business decisions and investment. Recent legislative initiatives with impact on banks' risk threaten the functioning of the financial sector and may hinder investment through both a tighter credit market and a shallower capital market with weaker institutional investors. In other areas, progress with reforms has slowed down or reversed.

Annex 4: 2018 Country Specific Recommendations underpinned by MIP and their implementation

These tables are extracted from the detailed EGOV document "Country Specific recommendations for 2018 and 2019 - A tabular comparison and overview of implementation". The order of the 2019 CSRs (but not the numbering) has been adapted to facilitate comparison with 2018 CSRs.

BG	Country Specific Recommendations 2018 MIP: CSR 2, 3	Assessment of implementation of 2018 CSRs February 2019	2019 CSRs MIP: CSR 2
	2. Take follow-up measures resulting from the financial sector reviews and implement the supervisory action plans in order to strengthen the oversight and stability of the sector. **Ensure adequate valuation of assets**, including bank collateral, by enhancing the appraisal and audit processes. **Complete the reform of the insolvency framework and promote a functioning secondary market for non-performing loans**.	**Some progress**	2**. Ensure the stability of the banking sector** by reinforcing supervision, promoting adequate valuation of assets, including bank collateral, and promoting a functioning secondary market for non-performing loans. **Ensure effective supervision and the enforcement of the AML framework**. Strengthen the non-banking financial sector by effectively enforcing risk-based supervision, the recently adopted valuation guidelines and group-level supervision. **Implement the forthcoming roadmap tackling the gaps identified in the insolvency framework**. Foster the stability of the car insurance sector by addressing market challenges and remaining structural weaknesses.
	3. Increase the employability of disadvantaged groups by upskilling and strengthening activation measures. Improve the provision of quality inclusive mainstream education, particularly for Roma and other disadvantaged groups. In line with the National Health Strategy and its action plan, **improve access to health services,** including by reducing out-of-pocket payments and addressing shortages of health professionals. **Introduce a regular and transparent revision scheme for the minimum income and improve its coverage and adequacy.**	**Limited progress**	

DE	2018 CSRs MIP: CSR 1, 2	Assessment of implementation of 2018 CSRs February 2019	2019 CSRs MIP: CSR 1, 2
	1. While respecting the medium-term objective, **use fiscal and structural policies to achieve a sustained upward trend in public and private investment,** and in particular on education, research and innovation at all levels of government, in particular at regional and municipal levels. Step up efforts to ensure the availability of very high-capacity broadband infrastructure nationwide. **Improve the efficiency and investment-friendliness of the tax system. Strengthen competition in business services and regulated professions.**	**Limited progress**	1. While respecting the MTO, **use fiscal and structural policies to achieve a sustained upward trend in private and public investment**, in particular at regional and municipal level. Focus investment-related economic policy on education; research and innovation; digitalisation and very-high capacity broadband; sustainable transport as well as energy networks and affordable housing, taking into account regional disparities. **Shift taxes away from labour** to sources less detrimental to inclusive and sustainable growth. **Strengthen competition in business services and regulated professions**.
	2. Reduce disincentives to work more hours, including the high tax wedge, in particular for low wage and second earners. Take measures to promote longer working lives. **Create conditions to promote higher wage growth,** while respecting the role of the social partners. **Improve educational outcomes and skills levels of disadvantaged groups.**	**Limited progress**	2. **Reduce disincentives to work more hours**, including the high tax wedge, in particular for low-wage and second earners. Take measures to safeguard the **long-term sustainability of the pension system**, while preserving adequacy. Strengthen the conditions that **support higher wage growth**, while respecting the role of the social partners. **Improve educational outcomes and skills levels of disadvantaged groups**.

IE	Country Specific Recommendations 2018 MIP: CSR 1, 2, 3	Assessment of implementation of 2018 CSRs February 2019	2019 CSRs MIP: CSR 1, 3
	1. Achieve the medium-term budgetary objective in 2019. Use windfall gains to accelerate the reduction of the general government debt ratio. Limit the scope and the number of tax expenditures, and broaden the tax base. **Address the expected increase in age-related expenditure** by increasing the cost-effectiveness of the healthcare system and by pursuing the envisaged pension reforms.	**Limited progress**	1. **Achieve the MTO objective in 2020**. Use windfall gains to accelerate the reduction of the general government debt ratio. Limit the scope and number of tax expenditures, and broaden the tax base. Continue to address features of the tax system that may facilitate aggressive tax planning, and focus in particular on outbound payments. **Address the expected increase in age-related expenditure** by making the healthcare system more cost-effective and by fully implementing pension reform plans.
	2. Ensure the timely and effective implementation of the National Development Plan, including in terms of clean energy, transport, housing, water services and affordable quality childcare. Prioritise the upskilling of the adult working-age population, with a focus on digital skills	**Some progress**	
	3. Foster the productivity growth of Irish firms, and of small and medium enterprises in particular, by stimulating research and innovation with targeted policies, more direct forms of funding and more strategic cooperation with foreign multinationals, public research centres and universities. **Promote faster and durable reductions in long-term arrears** by the use of secondary markets, building on initiatives for vulnerable households and, where necessary, using write-offs of non-recoverable exposures.	**Some progress**	3. **Focus investment-related economic policy** on low carbon and energy transition, the reduction of greenhouse gas emissions, sustainable transport, water, digital infrastructure and affordable and social housing, taking into account regional disparities. Implement measures, including those in the Future Jobs strategy, to **diversify the economy and improve the productivity of Irish firms** — SMEs in particular — by using more direct funding instruments to stimulate research and innovation and by reducing regulatory barriers to entrepreneurship.

EL		2019 CSRs MIP: CSR 1, 2
	To avoid duplication with measures set out in the Economic Adjustment Programme, there were no additional recommendations for Greece.	1. **Achieve a sustainable economic recovery** and tackle the excessive macroeconomic imbalances by continuing and completing reforms in line with the post-programme commitments given at the Eurogroup of 22 June 2018.
		2. **Focus investment-related economic policy** on sustainable transport and logistics, environmental protection, energy efficiency, renewable energy and interconnection projects, digital technologies, R&D, education, skills, employability, health, and the renewal of urban areas, taking into account regional disparities and the need to ensure social inclusion.

ES	Country Specific Recommendations 2018 MIP: CSR 1, 2, 3	Assessment of implementation of 2018 CSRs February 2019	2019 CSRs MIP: CSR 1, 2, 3, 4
	1. Ensure compliance with Council Decision (EU) 2017/984 giving notice under the excessive deficit procedure, including through measures to enforce the fiscal and public procurement frameworks at all levels of government. Thereafter, **ensure that the nominal growth rate of net primary government expenditure does not exceed 0,6 % in 2019**, corresponding to an annual structural adjustment of 0,65 % of GDP. Use windfall gains to accelerate the reduction of the general government debt ratio.	**Limited progress**	1. **Ensure that the nominal growth rate of net primary government expenditure does not exceed 0,9 % in 2020**, corresponding to an annual structural adjustment of 0,65 % of GDP. Take measures to **strengthen the fiscal and public procurement** frameworks at all levels of government. Preserve the sustainability of the **pension system**. Use windfall gains to accelerate the reduction of the general government debt ratio.
	2. Ensure that employment and social services have the capacity to provide effective support for jobseekers, including through better cooperation with employers. Foster transitions towards open-ended contracts. **Improve family support and increase the effectiveness of income guarantee schemes**, by addressing coverage gaps, simplifying the system of national schemes and reducing disparities in access conditions to regional ones. **Reduce early school leaving and regional disparities in educational outcomes**, in particular by better supporting students and teachers.	**Limited progress**	2. **Ensure that employment and social services have the capacity to provide effective support**. Foster transitions towards open-ended contracts, including by simplifying the system of hiring incentives. **Improve support for families, reduce fragmentation of national unemployment assistance and address coverage gaps in regional minimum income schemes.** Reduce early school leaving and improve educational outcomes, taking into account regional disparities. **Increase cooperation between education and businesses** with a view to improving the provision of labour market relevant skills and qualifications, in particular for information and communication technologies.
	3. Increase public investment in research and innovation and systematically carry out evaluations of support policies in this area to ensure their effectiveness. **Increase cooperation between education and businesses** with a view to mitigating existing skills mismatches. **Further the implementation of the Law on Market Unity** by ensuring that, at all levels of government, rules governing access to and exercise of economic activities, in particular for services, are in line with principles of that Law and by improving cooperation between administrations.	**Limited progress**	3. **Focus investment-related economic policy on fostering innovation, resource and energy efficiency**, upgrading rail freight infrastructure and extending electricity interconnections with the rest of the Union, taking into account regional disparities. Enhance the effectiveness of policies supporting research and innovation. 4. **Further the implementation of the Law on Market Unity** by ensuring that, at all levels of government, rules governing access to and exercise of economic activities, in particular for services, are in line with the principles of that Law and by improving cooperation between administrations.

FR	Country Specific Recommendations 2018 MIP: CSR 1, 2, 3	Assessment of implementation of 2018 CSRs February 2019	2019 CSRs MIP: CSR 1, 2, 3, 4
	1. Ensure that the nominal growth rate of net primary government expenditure does not exceed 1,4 % in 2019, corresponding to an annual structural adjustment of 0,6 % of GDP. Use windfall gains to accelerate the reduction of the general government debt ratio. **Implement expenditure savings in 2018 and fully specify the objectives and new measures needed in the context of Public Action 2022**, for them to translate into concrete expenditure savings and efficiency gains measures in the 2019 budget. **Progressively unify the rules of the different pension regimes** to enhance their fairness and sustainability.	**Limited progress**	1**. Ensure that the nominal growth rate of net primary expenditure does not exceed 1,2 % in 2020**, corresponding to an annual structural adjustment of 0,6 % of GDP. Use windfalls gains to accelerate the reduction of the general government debt ratio. **Achieve expenditure savings and efficiency gains** across all sub-sectors of the government, including by fully specifying and monitoring the implementation of the concrete measures needed in the context of Public Action 2022. **Reform the pension system** to progressively unify the rules of the different pension regimes, with the view to enhance their fairness and sustainability.
	2. Pursue the reforms of the vocational education and training system, to strengthen its labour market relevance and improve access to training, in particular for low qualified workers and jobseekers. **Foster equal opportunities and access to the labour market**, including for people with a migrant background and people living in deprived areas. **Ensure that minimum wage developments are consistent with job creation and competitiveness.**	**Some progress**	2. **Foster labour market integration for all job seekers**, ensure equal opportunities with a particular focus on vulnerable groups including people with a migrant background and address skills shortages and mismatches.
	3. Simplify the tax system, by limiting the use of tax expenditures, removing inefficient taxes and reducing taxes on production levied on companies. **Reduce the regulatory and administrative burden** to increase competition in the services sector and to foster firms' growth. **Step up efforts to increase the performance of the innovation system** in particular by improving the efficiency of public support schemes and strengthening knowledge transfer between public research institutions and firms**.**	**Some progress**	3. **Focus investment-related economic policy on research and innovation** (while improving the efficiency of public support schemes, including knowledge transfer schemes), renewable energy, energy efficiency and interconnections with the rest of the Union, and on digital infrastructure, taking into account territorial disparities. 4. Continue to **simplify the tax system**, in particular by limiting the use of tax expenditures, further removing inefficient taxes and reducing taxes on production. Reduce regulatory restrictions, in particular in the services sector, and fully implement the measures to foster the growth of firms.

HR	Country Specific Recommendations 2018 MIP: CSR 1, 2, 3, 4	Assessment of implementation of 2018 CSRs February 2019	2019 CSRs MIP: CSR 1, 2, 3, 4
	1. **Strengthen the fiscal framework,** including by strengthening the mandate and independence of the Fiscal Policy Commission. **Introduce a recurrent property tax**.	**Some progress**	1. **Reinforce the budgetary framework** and monitoring of contingent liabilities at central and local level. **Reduce the territorial fragmentation** of the public administration and streamline the functional distribution of competencies.
	2. Discourage early retirement, accelerate the transition to a higher statutory retirement age and align pension provisions for specific categories with the rules of the general scheme. **Deliver on the reform of the education and training system** to improve its quality and labour market relevance for both young people and adults. **Consolidate social benefits and improve their poverty reduction capacity**.	**Some progress**	2. **Deliver on the education reform** and improve both access to education and training at all levels and their quality and labour market relevance. **Consolidate social benefits and improve their capacity to reduce poverty**. Strengthen labour market measures and institutions and their coordination with social services. In consultation with the social partners, **introduce harmonised wage-setting** frameworks across the public administration and public services.
	3. Reduce the territorial fragmentation of the public administration, streamline the functional distribution of competencies and enhance the capacity to design and implement public policies. In consultation with social partners, **introduce harmonised wage-setting frameworks across the public administration and public services.**	**Limited progress**	3. Focus investment-related economic policy on research and innovation, sustainable urban and railway transport, energy efficiency, renewables and environmental infrastructure, taking into account regional disparities. Increase the administration's capacity to design and implement public projects and policies.
	4. Improve corporate governance in state-owned enterprises and intensify the sale of state-owned enterprises and non-productive assets. Significantly reduce the burden on businesses arising from parafiscal charges and from cumbersome administrative and legislative requirements. **Enhance competition** in business services and regulated professions. **Reduce the duration of court proceedings and improve electronic communication in courts**.	**Some progress**	4. **Improve corporate governance in State-owned enterprises and intensify the sale of such enterprises and non-productive assets**. Enhance the prevention and sanctioning of **corruption**, in particular at the local level. **Reduce the duration of court proceedings** and improve electronic communication in courts. Reduce the most burdensome parafiscal charges and excessive product and services market regulation.

IT	Country Specific Recommendations 2018 MIP: CSR 1, 2, 3, 4	Assessment of implementation of 2018 CSRs February 2019	2019 CSRs MIP: CSR 1, 2, 3, 4, 5
	1. Ensure that the nominal growth rate of net primary government expenditure does not exceed 0,1 % in 2019, corresponding to an annual structural adjustment of 0,6 % of GDP. **Use windfall gains to accelerate the reduction of the general government debt ratio. Shift taxation away from labour**, including by reducing tax expenditure and **reforming the outdated cadastral values**. Step up efforts to tackle the shadow economy, including by strengthening the compulsory use of e-payments through lower legal thresholds for cash payments. R**educe the share of old-age pensions** in public spending to create space for other social spending**.**	**Limited progress**	1. **Ensure a nominal reduction of net primary government expenditure of 0,1 % in 2020,** corresponding to an annual structural adjustment of 0,6 % of GDP. **Use windfall gains to accelerate the reduction of the general government debt ratio**. **Shift taxation away from labour, including by reducing tax expenditure and reforming the outdated cadastral values**. **Fight tax evasion**, especially in the form of omitted invoicing, including by strengthening the compulsory use of e-payments including through lower legal thresholds for cash payments. Implement fully past pension reforms to reduce the share of pensions in public spending and **create space for other social and growth-enhancing spending.**
	2. Reduce the length of civil trials at all instances by enforcing and streamlining procedural rules, including those under consideration by the legislator. **Achieve more effective prevention and repression of corruption** by reducing the length of criminal trials and implementing the new anti-corruption framework. **Ensure enforcement of the new framework for publicly-owned enterprises** and **increase the efficiency and quality of local public services. Address restrictions to competition**, including in services, also through a new annual competition law.	**Limited progress**	4. **Reduce the length of civil trials** at all instances by enforcing and streamlining procedural rules, including those under consideration by the legislator and with a special focus on insolvency regimes. Improve the effectiveness of the **fight against corruption** by reforming procedural rules to reduce the length of criminal trials. 3. Focus investment-related economic policy on research and innovation, and the quality of infrastructure, taking into account regional disparities. Improve the effectiveness of public administration, including by investing in the skills of public employees, by accelerating digitalisation, and by **increasing the efficiency and quality of local public services**. **Address restrictions to competition,** particularly in the retail sector and in business services, also through a new annual competition law.
	3. Maintain the pace of reducing the high stock of non-performing loans and support further bank balance sheet restructuring and consolidation, including for small and medium-sized banks, and promptly implement the insolvency reform. **Improve market-based access to finance for firms.**	**Some progress**	5. **Foster bank balance sheet restructuring**, in particular for small and medium-sized banks, by improving efficiency and asset quality, continuing the **reduction of non-performing loans**, and diversifying funding**. Improve non-bank financing for smaller and innovative firms.**
	4. Step up implementation of the reform of active labour market policies to ensure equal access to effective job-search assistance and training. **Encourage labour market participation of women** through a comprehensive strategy, rationalising family-support policies and increasing the coverage of childcare facilities. **Foster research, innovation, digital skills and infrastructure** through better-targeted	**Limited progress**	2. Step up efforts to **tackle undeclared work**. Ensure that active labour market and social policies are effectively integrated and reach out in particular to young people and vulnerable groups. **Support women's participation in the labour market** through a comprehensive strategy, including through access to quality childcare and long-term care. **Improve educational outcomes,** also through adequate and targeted investment, and foster upskilling, including by strengthening digital skills.

	investment and increase participation in vocational-oriented tertiary education**.**		

CY	Country Specific Recommendations 2018 MIP: CSR 1, 2, 3, 4, 5	Assessment of implementation of 2018 CSRs February 2019	2019 CSRs MIP: CSR 1, 2, 3, 4, 5
	1. Adopt key legislative reforms to improve efficiency in the public sector, in particular as regards the functioning of the public administration and the governance of state-owned entities and local governments.	**Limited progress**	1. Adopt key legislative reforms to improve efficiency in the public sector, in particular as regards the functioning of the public administration and the governance of State-owned entities and local governments. Address features of the tax system that may facilitate aggressive tax planning by individuals and multinationals, in particular by means of outbound payments by multinationals.
	2. Step up efforts to improve the efficiency of the judicial system by revising civil procedures, increasing the specialisation of courts and setting up a fully operational e-justice system. **Take measures to fully operationalise the insolvency and foreclosure frameworks** and ensure reliable and swift systems for the issuance of title deeds and the transfer of immovable property rights.	**Some progress**	5. Step up efforts to improve the efficiency of the judicial system, including the functioning of administrative justice and revising civil procedures, increasing the specialisation of courts and setting up an operational e-justice system. Take measures to strengthen the legal enforcement of claims and ensure reliable and swift systems for the issuance and transfer of title deeds and immovable property rights. Accelerate anti-corruption reforms, safeguard the independence of the prosecution and strengthen the capacity of law enforcement.
	3. Accelerate the reduction of non-performing loans by implementing a comprehensive strategy, including legislative amendments allowing for the effective enforcement of claims and facilitating the sale of loans. **Integrate and strengthen the supervision of insurance companies and pension funds**.	**Substantial progress**	2. Facilitate the reduction of non-performing loans including by setting up an effective governance structure for the State-owned asset management company, taking steps to improve payment discipline and strengthening the supervision of credit-acquiring companies. Strengthen supervision capacities in the non-bank financial sector, including by fully integrating the insurance and pension-fund supervisors.
	4. Prioritise the implementation of key elements of the action plan for growth, in particular fast-tracking strategic investments, and take additional measures to improve access to finance for small and medium-sized enterprises. **Improve the performance of state-owned enterprises** including by resuming the implementation of privatisation projects.	**Limited progress**	4. Focus investment-related economic policy on sustainable transport, environment, in particular waste and water management, energy efficiency and renewable energy, digitalisation, including digital skills, and research and innovation, taking into account territorial disparities within Cyprus. Adopt legislation to simplify the procedures for strategic investors to obtain necessary permits and licences. Improve access to finance for SMEs, and resume the implementation of privatisation projects.

	5. Complete reforms aimed at increasing the capacity and effectiveness of the public employment services and reinforce outreach and activation support for young people who are not in employment education or training. **Complete the reform of the education and training system**, including teacher evaluation and actions to increase the capacity of vocational education and training. **Take measures to ensure that the National Health System becomes fully functional in 2020**, as planned	**Limited progress**	3. Complete reforms aimed at increasing the effectiveness of the public employment services and reinforce outreach and activation support for young people. Deliver on the reform of the education and training system, including teacher evaluation, and increase employers' engagement and learners' participation in vocational education and training, and affordable childhood education and care. Take measures to ensure that the National Health System becomes operational in 2020, as planned, while preserving its long-term sustainability.

NL	Country Specific Recommendations 2018 MIP: CSR 1, 2	Assessment of implementation of 2018 CSRs February 2019	2019 CSRs MIP: CSR 1, 3
	1. While respecting the medium-term objective**, use fiscal and structural policies to raise public and private investment** in research, development and innovation. **Take measures to reduce the debt bias for households and the remaining distortions in the housing market,** in particular by supporting the development of the private rental sector.	**Substantial progress**	3. While respecting the medium-term budgetary objective, **use fiscal and structural policies to support an upward trend in investment**. Focus investment-related economic policy on research and development in particular in the private sector, on renewable energy, energy efficiency and greenhouse gas emissions reduction strategies and on addressing transport bottlenecks.
	2. Reduce the incentives to use temporary contracts and self-employed without employees, while promoting adequate social protection for the self-employed, and tackle bogus self-employment. **Create conditions to promote higher wage growth,** respecting the role of the social partners. **Ensure that the second pillar of the pension system is more transparent, inter-generationally fairer and more resilient to shocks.**.	**Limited progress**	1. **Reduce the debt bias for households** and the distortions in the housing market, including by supporting the development of the private rental sector. Ensure that the **second pillar of the pension system is more transparent**, **inter-generationally fairer and more resilient to shocks.** Implement policies to increase household disposable income, including by strengthening the conditions that support wage growth, while respecting the role of social partners. **Address features of the tax system that may facilitate aggressive tax planning,** in particular by means of outbound payments, in particular by implementing the announced measures.

PT	Country Specific Recommendations 2018 MIP: CSR 1, 2, 3	Assessment of implementation of 2018 CSRs February 2019	2019 CSRs MIP: CSR 1, 2, 3, 4
	1. Ensure that the nominal growth rate of net primary government expenditure does not exceed 0,7 % in 2019, corresponding to an annual structural adjustment of 0,6 % of GDP. Use windfall gains to accelerate the reduction of the general government debt ratio. **Strengthen expenditure control, cost effectiveness and adequate budgeting**, in particular in the health sector with a focus on the reduction of arrears in hospitals. **Improve the financial sustainability of state-owned enterprises**, in particular by increasing their overall net income and by reducing debt.	**Limited progress**	1. **Achieve the medium-term budgetary objective in 2020**, taking into account the allowance linked to unusual events for which a temporary deviation is granted. Use windfall gains to accelerate the reduction of the general government debt ratio. **Improve the quality of public finances by prioritising growth-enhancing spending while strengthening overall expenditure control**, cost efficiency and adequate budgeting, with a focus in particular on a durable reduction of arrears in hospitals. **Improve the financial sustainability of State-owned enterprises**, while ensuring more timely, transparent and comprehensive monitoring.
	2. Promote an environment conducive to hiring on open-ended contracts, including by reviewing the legal framework in consultation with social partners. Increase the skills level of the adult population, including **digital literacy**, by strengthening and broadening the coverage of the training component in adult qualification programmes. **Improve higher education uptake, namely in science and technology fields.**	**Some progress**	2. Adopt measures to address labour market segmentation. Improve the skills level of the population, in particular their **digital literacy**, including by making adult learning more relevant to the needs of the labour market. Increase the number of **higher education graduates**, particularly in science and information technology. Improve the effectiveness and adequacy of the social safety net.
	3. Increase the efficiency of insolvency and recovery proceedings and reduce impediments to the secondary market for non-performing loans. Improve access to finance for businesses. **Reduce the administrative** burden by shortening procedural deadlines, using more tacit approval and reducing document submission requirements**.** **Remove persistent regulatory restrictions** by ensuring a proper implementation of the framework law for highly regulated professions. **Increase the efficiency of administrative courts,** inter alia by decreasing the length of proceedings.	**Some progress**	4. Allow for a swifter recovery of the collateral tied **to non-performing loans** by **increasing the efficiency of insolvency and recovery proceedings**. **Reduce the administrative and regulatory burden** on businesses, mainly by reducing sector-specific barriers to licensing. Develop a roadmap to reduce restrictions in highly regulated professions. **Increase the efficiency of administrative and tax courts**, in particular by decreasing the length of proceedings.
			3. **Focus investment-related economic policy on research and innovation**, railway transport and port infrastructure, low carbon and energy transition and extending energy interconnections, taking into account regional disparities.

RO	Country Specific Recommendations 2018	2019 CSRs MIP: CSR 1, 2, 3, 5
	In 2018, Romania was not considered at risk of macro-economic imbalances. Therefore, none of its CSRs were underpinned by the MIP	1. Ensure compliance with the Council Recommendation of 14 June 2019 with a view to correcting the significant deviation from the adjustment path towards the medium-term budgetary objective. Ensure the full application of the fiscal framework. Strengthen tax compliance and collection.
		2. Safeguard financial stability and the robustness of the banking sector. Ensure the sustainability of the public pension system and the long-term viability of the second-pillar pension funds.
		3. Improve the quality and inclusiveness of education, in particular for Roma and other disadvantaged groups. Improve skills, including digital, in particular by increasing the labour market relevance of vocational education and training and higher education. Increase the coverage and quality of social services and complete the minimum inclusion income reform. Improve the functioning of social dialogue. Ensure that the minimum wage is set on the basis of objective criteria, consistent with job creation and competitiveness. Improve access to and cost-efficiency of healthcare, including through the shift to outpatient care.
		5. Ensure that legislative initiatives do not undermine legal certainty by improving the quality and predictability of decision-making, including by appropriate stakeholder consultations, effective impact assessments and streamlined administrative procedures. Strengthen the corporate governance of State-owned enterprises.

SE	Country Specific Recommendations 2018 MIP: CSR 1	Assessment of implementation of 2018 CSRs February 2019	2019 CSRs MIP: CSR 1
	1. Address risks related to high household debt by gradually reducing the tax deductibility of mortgage interest payments or increasing recurrent property taxes. **Stimulate residential construction where shortages are most pressing**, in particular by removing structural obstacles to construction, and improve the efficiency of the housing market, including by introducing more flexibility in setting rental prices and revising the design of the capital gains tax.	**Limited progress**	1. **Address risks related to high household debt** by gradually reducing the tax deductibility of mortgage interest payments or increasing recurrent property taxes. **Stimulate investment in residential construction where shortages are most pressing**, in particular by removing structural obstacles to construction. Improve the efficiency of the housing market, including by introducing more flexibility in rental prices and revising the design of the capital gains tax.