IN-DEPTH ANALYSIS

Economic Dialogue with the European Commission on draft 2016 Country Specific Recommendations

ECON and EMPL on 14 June 2016

Vice-President Dombrovskis, Commissioner Moscovici and Commissioner Thyssen have been invited to an Economic Dialogue in line with the relevant EU law on the 2016 Country Specific Recommendations (CSRs) proposed by the Commission on 18 May 2016 as part of the European Semester 2016 spring package. The briefing covers the draft 2016 CSRs, the implementation of 2015 CSRs, the implementation of the Stability and Growth Pact, as well as the implementation of the Macro-economic Imbalance Procedure.

The 2016 European Semester: Country Specific Recommendations

On 18 May 2016, the European Commission (COM) proposed the 2016 Country Specific Recommendations[1] (CSRs) covering 27 EU Member States[2], along with the underlying Communication. The COM proposals build on several elements, notably: (1) the three main pillars identified in the 2016 Annual Growth Survey[3], (2) the longer-term vision outlined in the Europe 2020 Strategy, (3) the COM's Country Reports, (4) the COM's assessment of the 2016 Stability/Convergence Programmes and National Reform Programmes, and finally (5) the outcome of dialogues with national authorities and stakeholders as well as the European Parliament.

The 2016 CSRs were devised under the so-called streamlined Semester that was first implemented in 2015. Besides reducing the number and re-focusing CSRs[4], the streamlined Semester process is also characterized by an earlier assessment of implementation of CSRs adopted under the previous cycle, inclusion of in-depth reviews under the Macroeconomic Imbalances Procedure (MIP) into the Country Reports (where applicable) as well as a more intensive discussion between the Commission and national stakeholders on implementation of past recommendations and potential areas for future recommendations. Building on these developments, the **process has been further refined in the 2016 cycle**. First, the COM proposed its recommendations to the euro area as a whole at the very beginning of the cycle[5], along the publication of the 2016 AGS, so as to allow for a better integration of the priorities defined at the euro area level into national policies and reforms. Furthermore, the number of CSRs has been further reduced. At the same time, recommendations put greater emphasis on the objective to achieve, while leaving definition of the measures needed to attain it to the discretion of national authorities. The dialogue with Member States and other European institutions has also been intensified. The intended goal of all these refinements is to increase the ownership of CSRs and thereby improve the unsatisfactory rate of reform implementation.

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[1] The Country Specific Recommendations provide guidance to EU Member States on key fiscal and macro-structural measures targeting key issues over the next 12-18 months.
[2] The COM does not propose country-specific recommendations to Member States receiving financial assistance to avoid duplication with measures set out in the economic adjustment programme.
[3] These three pillars are the following: (1) re-launching investment, (2) pursuing structural reforms to modernise our economies and (3) responsible fiscal policy.
[4] In this regard, the COM indicated that that it will continue to monitor policy areas not covered directly by CSRs in the Country reports and take them up via other policy processes, e.g. Energy Union, Single Market, European Research Area and the Innovation Union (see p. 10 of the COM Communication of 13 May 2015).
[5] See a separate EGOV note "Euro area recommendations under the 2016 European Semester: An Overview" for more information.

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Table 1: CSRs - some stylized facts

European Semester	Total number of CSRs	Number of Member States	Average number of CSRs per Member State	Minimum number of CSRs	Maximum number of CSRs
2012	138	23	6,0	4 (DE, SE)	8 (ES)
2013	141	23	6,1	3 (DK)	9 (ES, SI)
2014	157	26	6,0	3 (DK)	8 (ES, HR, IT, PT, RO, SI)
2015	102	26	3,9	1 (SE)	6 (FR, HR, IT)
2016	89	27	3,3	1 (SE)	5 (FR, HR, IT, CY, PT)

Source: European Commission and EGOV calculations.
Note: The 2016 CSRs are to be adopted by the Council in July 2016.

Table 1 depicts some stylized facts on streamlined Semester:

- The total number of CSRs further decreased to 89 in 2016, down from 102 in 2015 (or equivalently a reduction of nearly 13%), while the number of participating Member States increased to 27 following the successful exit of Cyprus from its three-year financial assistance programme;
- As a consequence, the average number of CSRs per Member State declined from four recommendations under the streamlined 2015 Semester to about three recommendations during the 2016 cycle;
- Similarly, the minimum and maximum numbers of CSRs addressed to Member States were reduced under the streamlined 2015 Semester to one recommendation (SE) and six recommendations (FR, HR and IT) respectively. Under the 2016 cycle, the maximum number of recommendations was further reduced to five (though, the number of countries concerned has risen, reflecting a range of macroeconomic imbalances identified in these Member States, namely: FR, HR, IT, CY and PT).

Table 2: Number of CSRs by secondary legal base

European Semester	Exclusively SGP		Exclusively MIP		Jointly SGP and MIP		Integrated Guidelines		Total	
2012	18	(13%)	31	(22%)	5	(4%)	84	(61%)	138	(100%)
2013	18	(13%)	50	(35%)	6	(4%)	67	(48%)	141	(100%)
2014	19	(12%)	58	(37%)	8	(5%)	72	(46%)	157	(100%)
2015	11	(11%)	48	(47%)	10	(10%)	33	(32%)	102	(100%)
2016	13	(15%)	36	(40%)	9	(10%)	31	(35%)	89	(100%)

Source: European Commission and EGOV calculations.
Note: Share of CSRs by secondary legal base for a given Semester cycle in brackets. The 2016 CSRs are to be formally adopted by the Council in July 2016.

Table 2 disentangles CSRs according to the legal base. In particular, it shows that:

- The 2016 draft CSRs underpinned exclusively by the **MIP legal base** noticeably declined (from 47% in 2015 to 40% in 2016). On the other hand, the proportion of recommendations underpinned exclusively by the SGP and "Integrated Guidelines" legal bases rose to 15% and 38% in 2016 respectively (up from 11% and 32% a year earlier). Finally, the proportion of CSRs underpinned by jointly SGP and MIP has remained unchanged at 10%;
- A closer look at the underlying data (see a separate EGOV note for more details) reveals that three Member States received all their respective CSRs based solely on **Integrated guidelines**: CZ (3 CSRs), EE (3 CSRs) and LU (2 CSRs) - i.e. countries that are under the preventive arm of the SGP and for which no imbalances were identified under MIP (though EE was subject to an in-depth review);
- Two Member States received all their respective **CSRs based exclusively on the MIP**: DE (3 CSRs) and SE (1 CSR). Note that both countries have been classified as experiencing "imbalances" based on the in-depth reviews published at the beginning of 2016.

Box 1: EMCO analysis of the employment and social aspects of the 2016 CSR proposals

According to the opinions of the Employment Committee (EMCO) and the Social Protection Committee, the EMCO welcomes the package of CSR proposals. The importance given to employment policies shows that the European Employment Strategy, including the Employment Guidelines, continues to play an important role in the EU economic governance process in general and the European Semester in particular. The overall set of proposals is broadly balanced and identifies the correct priorities.

In 2016, **42 out of a total of 89 CSRs (47%) have an employment or social component**, compared to 53 out of 102 in 2015 (52%). However, this does not give the complete picture as one CSR can, in effect, contain a number of recommendations. The total number of discrete employment and social recommendations contained in the CSRs is 114, compared to 118 last year. Given that there are 13 fewer CSRs in total this year than last, it is clear that employment and social considerations continue to play a prominent role in the Semester as well as the Europe 2020 strategy.

The area most frequently covered by a recommendation is that **of skills, education and training**. Sixteen Member States receive a CSR covering this area, up from fourteen Member States in 2015. This emphasis is similar to that found in EMCO's 2016 Employment Performance Monitor, where 27 Member States have a Key Employment Challenge in the area of skills and lifelong learning or education.

Compared to 2015, stronger emphasis has this year been put on **active labour market policies and employment services**. Fourteen Member States receive a CSR in this area, almost doubling last year's number. Again, this echoes the results of the 2016 Employment Performance Monitor, in which Key Employment Challenges in the area of ALMPs are identified for 21 Member States.

Nine Member States received a CSR in the area of **pensions and extending working lives**, compared to fourteen in 2015 – a decrease which reflects the progress made by many Member States in this domain. Other policy areas which have led to less recommendations are taxes and undeclared work (down from eleven to seven Member States), youth employment (down from five to two Member States) and wages and competitiveness (down from eleven to seven Member States).

EMCO notes that the number of CSR proposals relating to **youth employment** have been reduced even though levels of youth unemployment remain high and the implementation of the Youth Guarantee continues to be a priority.

These opinions are expected to be endorsed by the **EPSCO Council on 16 June 2016**.

A more detailed analysis of the 2016 CSRs proposed by the COM (draft CSRs) shows that (see a separate EGOV document for an overview of recommendations[6]):

- The **decline in the number of policy recommendations** observed under the 2016 cycle does not only reflect the COM willingness to concentrate on a selected number of priorities but also the fact that some policy areas that were covered separately in 2015 have been merged during the current Semester[7]. This was the case on nine occasions (see note in Annex 1);
- Out of 89 draft 2016 CSRs, **77 recommendations are linked to policy areas that were already identified a year earlier (about 87%)**. The 12 entirely new recommendations reflect inclusion of CY in the present Semester cycle (five CSRs) and one new recommendation for six Member States (BE, CZ, ES, LT, LU, NL and RO - these CSRs are predominantly relating to innovation/investment and labour markets/education);

Finally, in its analysis of the 2016 Country Reports from the territorial perspective, the Committee of Regions points out that **nearly all Member States have received at least one territory-related recommendation across various policy areas,** with a special focus on labour markets, social issues and the state of the public administration. In particular, "*improving administrative capacity at the*

[6] See "Country Specific Recommendations (CSRs) for 2015 and 2016 - A comparison and an overview of implementation".

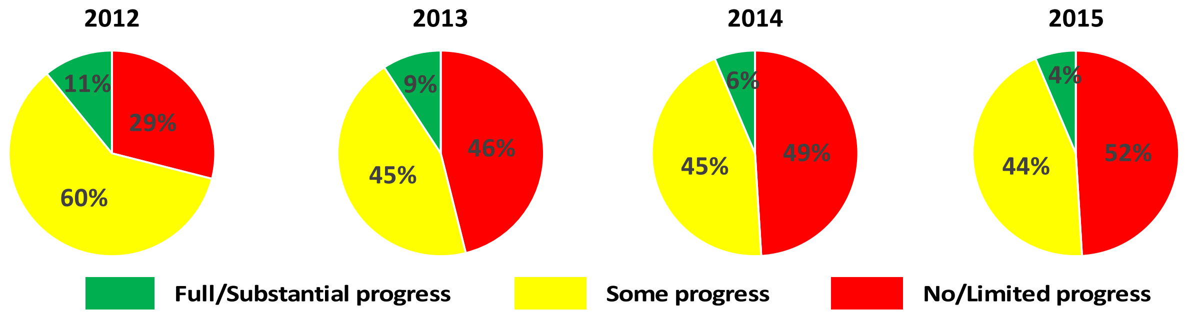
[7] The decrease in number of CSRs observed between 2015 and 2016 is a result of two opposing trends. On the one hand, out of 102 CSRs adopted under the 2015 European Semester, 25 were discontinued this year. On the other hand, 12 new CSRs were proposed under the 2016 vintage. As nine discontinued 2015 CSRs were actually included as sub-elements into the 2016 CSRs, the COM actually dropped, in "net terms", only four recommendations between 2015 and 2016 (rather than 13 observed prima facie), all Member States taken together.

local and regional level is a key challenge for re-launching long-term investments and ensuring growth and jobs", the Committee of Regions said, while adding that progress in this area has remained slow.

Implementation of the 2012-2015 CSRs

As depicted in Figure 1 below, **the proportion of fully/substantially implemented CSRs has more than halved over the 2012-2015 Semester cycles** based on the COM assessment (11% in 2012 and 4% in 2015 respectively). At the same time, the part of recommendations with limited/no progress has risen from nearly 30% in 2012 to more than 50% in 2015. Consequently, these results would point to a lower implementation resolve from the Member States' side. Note that this type of analysis assigns identical weights to each and every recommendation within and across Member States as well as across time. It also abstracts from difficulties linked to implementation of various types of reforms, including the electoral cycle.

Figure 1: CSRs implementation over the period 2012-2015



Source: European Commission and EGOV calculations.
Note: Based on Commission's assessment of actions taken (rather than outcomes that may materialise with a lag), assigning identical weights to all recommendations irrespective of their institutional and political sensitivities. Data for 2015 exclude CSRs related to the compliance with the SGP for seven Member States (DK, EE, LV, HU, MT, FI and UK). These recommendations were assessed by the COM separately in its assessments of the 2016 Stability and Convergence Programmes of 26 May 2016 yet without providing explicitly the assessment grid/commentary typically adopted for other CSRs.

Implementation of the SGP: latest developments

Member States submitted in April/May the 2016 Stability and Convergence Programmes (SCPs), detailing the national fiscal plans for the next three years. The COM recommendations for Council opinions on the SCPs were published on 18 May 2016.

- The COM recommendations for Council opinions on the SCPs form part of the draft 2016 Country Specific Recommendations (CSRs) **under the preventive arm of the SGP**, (under Art. 121(2) of TFEU). Therefore, the CSRs specify the adjustment path towards the Medium Term Objective (MTO) for countries that have not reached it yet. However, in the draft 2016 CSRs, no specific recommendation on public finances was addressed to some Member States, which were considered by the COM to be in line with the current commitments under the preventive arm of the SGP (**Czech Republic, Germany, Estonia, Luxembourg and Sweden**). The Commission staff assessments of the 2016 SCPs were published on 26 May 2016;
- The 2016 SCP of many countries (**Austria, Belgium, Cyprus, Croatia, Spain, France, Italy, Hungary, Portugal, Slovenia and Romania**) were assessed to be "*at risk of non-compliance*" with their obligations under the SGP. As concerns Austria, Italy, Spain and Portugal, the COM, in its opinions on the 2016 Draft Budgetary Plans, did already in the beginning of the 2016 Semester Cycle highlight that these countries were "at risk of non-compliance" with their current obligations under the SGP (see separate EGOV note);
- There are sometimes significant **forecast differences between the SCPs and the COM** forecast

of spring 2016 (details are in a separate EGOV table);

- The COM prepared reports on **Belgium**, **Finland** and **Italy** (under Art. 126(3) TFEU) **on their compliance with the debt criterion** of the Treaty, given that the debt reduction of these countries is not in line with the benchmark pace of reduction towards the debt reference value. The COM reports, after analysing the **relevant factors**[8], suggest that the SGP should be considered as currently complied with. For Italy, the COM will review its assessment of the relevant factors in a new report by November as further information on the resumption of the adjustment path towards the medium-term budgetary objective for 2017 becomes available;
- The COM proposed to **abrogate the Excessive Deficit Procedures** (EDP) for **Cyprus**, **Ireland** and **Slovenia** as these countries have brought their deficits below the 3% of GDP reference value and are forecast to remain below this level in 2016 and 2017;
- For **Spain** and **Portugal**, the COM, in line with its duty to monitor the **implementation of the EDP** (under Art. 126 of the TFEU), will come back to the situation of these two Member States in early July 2016. However, the COM already proposed for these two countries on 18 May 2016 (see also draft CSRs for Spain and Portugal) to postpone the deadline for correcting their excessive deficit by one year. The legal bases for an EDP-extension is 126(7) of the TFEU (and Article 3(5) of Regulation 1467/97). See Box 2 and separate EGOV note;
- On 18 May, the COM also launched a formal consultation to the Member States that are contracting parties of the Fiscal Compact to enquire about their progress in implementing in national law the provisions of the Fiscal Compact. The Member States concerned have two months to submit their observations to the COM.

Box 2: Extension of dead-line under EDP

Main procedural options to extend a dead-line to correct an excessive deficit are: establishing that "effective action" has been taken by the Member State concerned under Article 126(7) of TFEU (and in accordance with Article 3(5) of Regulation 1467/97)) or following a Council decision under Article 126(8) of the TFEU that "no effective action" has been taken, the Council would adopt a decision under 126(9) (and in accordance with Article 5 of Regulation 1467/97) to give notice to the Member State concerned to take measures for the deficit reduction in accordance with Article 126(9) TFEU. According to the preliminary COM assessments of 18 May and 26 May, the fiscal efforts of Spain and Portugal seem not to be in line with their current SGP obligations.

Recent **remarks in the public domain** by the **President of ECOFIN and Euro group**: "*It would be wise for the Commission to pay a little more attention to its credibility*," adding that Member States needed an "objective arbitrator" who upholds the budget rules manifested in the SGP Pact. "*You have to be a little careful if it is in your advantage that the commission* ***turns a blind eye*** *... In the end, if we turn a blind eye everywhere, we make a blind monetary union.*" These remarks were linked to previous public statements by the COM President Juncker indicating that COM gave leeway on fiscal rules to France "because it is France".

On 19 April 2016, the **European Court of Auditors** (ECA) published a Special report on "*Further improvements needed to ensure effective implementation of the EDP*". The Court examined the COM's implementation of the EDP between 2008 and 2015, focusing on six Member States. It made the following recommendations to the COM (both to Eurostat and to DG ECFIN).

The **COM's answers** to ECA report are all included in the annex of the report. Below some elements of these replies: "*The COM is committed to equal treatment of Member States. Where shortcomings in this respect have been identified, the COM has taken action to ensure the consistent application of*

[8] [8] The factors considered relevant by the COM include notably: (i) unfavourable economic conditions, and in particular low inflation, which made the respect of the debt rule particularly demanding; (ii) the expectation that compliance with the required adjustment towards the medium-term budgetary objective (MTO) was broadly ensured; and (iii) the expected implementation of ambitious growth-enhancing structural reforms in line with the authorities' commitment, which was expected to contribute to debt reduction in the medium/long term; (iv) financial stabilisation operations.

rules and will continue to do so" (p. 2 of the Annex). "*The COM only partially accepts the recommendation. Due to the significant and effective achievements in recent years in codifying concepts and methodologies used in the assessment of compliance with the EDP and in making available to the Member States all the calculations underpinning its assessments, transparency has already been improved. The process of independent verification will be strengthened by the recently set up European Fiscal Board as a functionally independent body comprised of five experts, tasked with assessing horizontal consistency of the decisions and implementation of budgetary surveillance*" (p. 3 of the Annex of the ECA report).

Implementation of MIP: latest developments

In March 2016, the COM published the Communication on the "*2016 European Semester: Assessment of progress on structural reforms, prevention and correction of macroeconomic imbalances, and results of in-depth reviews...*" which was updated on 7 April by including Cyprus (as it exited the financial assistance programme at the end of March). The document Implementation of MIP provides more detail on the state of play in 2016.

According to the COM, Members States are making **progress with rebalancing** their economies:

- As far as external imbalances are concerned, the COM points to the need that such rebalancing takes place both in countries with large stocks of external liabilities and in those with current accounts surpluses, given the importance of trade and financial links among EU countries;
- Concerning internal imbalances, they are essentially characterised by the high levels of debt, both public and private.

Table 3: Commission's conclusions under MIP

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

Source: European Commission, ECB and EGOV calculations.
Note: (1) The table refers only to the streamlined categories applied from the 2016 cycle onwards.
(2) The 2016 data are based on the COM Communication of 7 April 2016, which includes Cyprus.
(*) Countries not considered at risk of macroeconomic imbalances, therefore not subject to in-depth reviews according to the AMR.

On the basis of the in-depth-reviews published in February, the COM concluded that **fewer Member States than last year are considered to present macroeconomic imbalances.** Of the Member States identified in November 2015 as at risk of macroeconomic imbalances:

- Six Member States are experiencing **no imbalances**: Belgium, Estonia, Hungary, Austria, Romania, United Kingdom

- Seven Member States are experiencing **imbalances**: Germany, Ireland, Spain, the Netherlands, Slovenia, Finland and Sweden
- Six Member States are experiencing **excessive imbalances**: Bulgaria, Croatia, Cyprus, France, Italy and Portugal.

It can be noted that the five Member States that were experiencing excessive macroeconomic imbalances in 2015 are still experiencing excessive imbalances in 2016. Croatia and Italy have been under this category since 2014 (See Table 3). However, the COM has not proposed to open the **excessive imbalance procedure** for any country.

In May 2016, the COM proposed its **draft 2016 Country Specific Recommendations and for** Member States considered as at risk of macroeconomic imbalances the CSRs are in most of the cases underpinned by the MIP (See a separate EGOV note on the MIP procedure). Among the 50 draft CSRs targeting the 13 Member States with macroeconomic imbalances, 45 have the MIP as a legal basis. All the draft 2016 CSRs targeting Member States with "excessive imbalances" are underpinned by MIP.

So far, the **implementation of the CSRs based on MIP** appears to be rather weak: the COM (May 2016) stated that **"***More progress in the implementation of country-specification recommendations is identified for Member States experiencing imbalances than for Member States without imbalances, presumably due to the larger need for reform, stronger policy dialogue and, in some cases, in response to stronger market pressure".*

In fact, **only 7%** of the MIP-related 2015 CSRs have been **fully implemented**, a minor improvement compared to the previous Semester Cycles, when the "full" implementation rate was 5%. A separate EGOV Implementation of MIP CSRs provides an overview of the 2012-2016 Semesters Cycles.

Next steps

Next steps in the Council: The 2016 draft CSRs will be discussed/approved by the EPSCO Council on 16-17 June, the ECOFIN Council on 17 June, GAC Council 24 June before endorsement by European Council on 28-29 June and final adoption by the ECOFIN Council on 12 July.

Links:

- Progress on EU2020 targets for all Member States –June 2016
- The legal nature of Country Specific Recommendations – June 2016
- Comparison of key figures in the 2015 Stability Programmes and Commission spring 2015 forecast – June 2016
- Implementation of the Stability and Growth Pact - May 2016
- Country Specific Recommendations (CSRs) for 2015 and 2016 – May 2016

Annex 1: Discontinued 2015 Country Specific Recommendations

Member State	CSR	Legal Base	Discontinued 2015 Country Specific Recommendations	Commission's assessment of implementation
BE	CSR2	MIP	**Adopt and implement a comprehensive tax reform** broadening the tax base, shifting the tax burden away from labour and removing inefficient tax expenditures.	**Some progress**
	CSR3	MIP	**Improve the functioning of the labour market** by reducing financial disincentives to work, increasing labour market access for specific target groups and addressing skills shortages and mismatches.	**Some progress**
BG	CSR4	Integrated Guidelines	**Adopt the reform of the School Education Act**, and increase the participation in education of disadvantaged children, in particular Roma, by improving access to good-quality early schooling.	**Some progress**
CZ	CSR3	Integrated Guidelines	**Reduce the high level of taxation levied on low-income earners**, by shifting taxation to other areas. Further improve the availability of affordable childcare.	**Limited progress**
	CSR4	Integrated Guidelines	**Adopt the higher education reform**. Ensure adequate training for teachers, support poorly performing schools and take measures to increase participation among disadvantaged children, including Roma.	**Some progress**
EE	CSR1	SGP	**Avoid deviating from the medium-term budgetary objective in 2015 and 2016.**	**Some progress**
IE	CSR2	Integrated Guidelines	**Take measures to increase the cost-effectiveness of the healthcare system**, including by reducing spending on patented medicines and gradually implementing adequate prescription practices. Roll out activity-based funding throughout the public hospital system.	**Limited progress**

ES	CSR2	MIP	**Complete the reform of the savings bank sector**, including by means of legislative measures, and complete the restructuring and privatisation of state-owned savings banks.	**Substantial progress**
FR	CSR2	MIP	**Step up efforts to make the spending review effective, continue public policy evaluations and identify savings opportunities across all sub-sectors of general government**, including on social security and local government. Take steps to limit the rise in local authorities' administrative expenditure. Take additional measures to **bring the pension system into balance**, in particular ensuring by March 2016 that the financial situation of complementary pension schemes is sustainable over the long term.	**Some progress**
HR	CSR3	MIP	**Tackle the weaknesses in the wage-setting framework**, in consultation with the social partners and in accordance with national practices, to foster the alignment of wages with productivity and macroeconomic conditions. Strengthen incentives for the unemployed and inactive to take up paid employment. Based on the 2014 review, carry out the reform of the social protection system and further consolidate social benefits by improving targeting and eliminating overlaps.	**Limited progress**
IT	CSR2	MIP	**Adopt the planned national strategic plan for ports and logistics,** particularly to help promote intermodal transport through better connections. **Ensure that the Agency for Territorial Cohesion is made fully operational so that the management of EU funds markedly improves**.	**Some progress**
LV	CSR2	Integrated Guidelines	**Improve vocational education and training**, speed up the curricula reform and increase the offer for work-based learning. Ensure that the new financing model of the higher education system rewards quality. **Better target research financing and incentivise private investment in innovation** on the basis of the Smart Specialisation Framework.	**Some progress**
LT	CSR3	Integrated Guidelines	**Adopt a comprehensive reform of the pension system that also addresses the challenge of achieving pension adequacy. Improve** the coverage and adequacy of **unemployment benefits** and cash social assistance and improve the **employability of those looking for work.**	**Limited progress**
LU	CSR1	Integrated Guidelines	**Broaden the tax base**, in particular on consumption, recurrent property taxation and environmental taxation.	**No progress**

	CSR3	Integrated Guidelines	**Reform the wage-setting system**, in consultation with the social partners and in accordance with national practices, with a view to ensuring that wages evolve in line with productivity, in particular at sectoral level.	**No progress**
HU	CSR2	MIP	**Take measures to restore normal lending to the real economy** and remove obstacles to market-based portfolio cleaning; considerably reduce the contingent liability risks linked to increased state ownership in the banking sector.	**Some progress**
	CSR5	Integrated Guidelines	**Increase the participation of disadvantaged groups** in particular Roma in inclusive mainstream education, and improve the support offered to these groups through targeted teacher training; **strengthen measures to facilitate the transition between different stages of education and to the labour market**, and improve the teaching of essential competences.	**Limited progress**
MT	CSR3	Integrated Guidelines	**To ensure the long-term sustainability of public finances, continue the ongoing pension reform,** such as by accelerating the already enacted increase in the statutory retirement age and by consecutively linking it to changes in life expectancy.	**Limited progress**
	CSR4	Integrated Guidelines	**Improve small and micro-enterprises' access to finance,** in particular through non-bank instruments.	**Some progress**
NL	CSR2	MIP	With the strengthening of the recovery, accelerate the **decrease in mortgage interest tax deductibility** so that tax incentives to invest in unproductive assets are reduced. Provide for a more market-oriented pricing mechanism in the rental market and further relate rents to household income in the social housing sector.	**Some progress**
AT	CSR4	Integrated Guidelines	**Address the potential vulnerabilities of the financial sector** in terms of foreign exposure and insufficient asset quality.	**Some progress**
PL	CSR3	MIP	Take measures to **reduce the excessive use of temporary and civil law contracts** in the labour market.	**Some progress**

RO	CSR1	MIP	Take all the necessary measures to **complete the financial assistance programme.**	**No progress**
SK	CSR3	Integrated Guidelines	**Improve teacher training and the attractiveness of teaching as a profession** to stem the decline in educational outcomes. **Increase the participation of Roma children in mainstream education** and in high-quality early childhood education.	**Limited progress**
FI	CSR2	MIP	**Adopt the agreed pension reform** and gradually eliminate early exit pathways. Ensure effective design and implementation of the **administrative reforms** concerning municipal structure and social and healthcare services, with a view to increasing productivity and cost-effectiveness in the provision of public services, while ensuring their quality.	**Some progress**
HU	CSR2	MIP	**Take measures to restore normal lending to the real economy** and remove obstacles to market-based portfolio cleaning; considerably reduce the contingent liability risks linked to increased state ownership in the banking sector.	**Some progress**
	CSR5	Integrated Guidelines	**Increase the participation of disadvantaged groups** in particular Roma in inclusive mainstream education, and improve the support offered to these groups through targeted teacher training; **strengthen measures to facilitate the transition between different stages of education and to the labour market**, and improve the teaching of essential competences.	**Limited progress**
MT	CSR3	Integrated Guidelines	**To ensure the long-term sustainability of public finances, continue the ongoing pension reform,** such as by accelerating the already enacted increase in the statutory retirement age and by consecutively linking it to changes in life expectancy.	**Limited progress**
	CSR4	Integrated Guidelines	**Improve small and micro-enterprises' access to finance,** in particular through non-bank instruments.	**Some progress**
NL	CSR2	MIP	With the strengthening of the recovery, accelerate the **decrease in mortgage interest tax deductibility** so that tax incentives to invest in unproductive assets are reduced. Provide for a more market-oriented pricing mechanism in the rental market and further relate rents to household income in the social housing sector.	**Some progress**

AT	CSR4	Integrated Guidelines	**Address the potential vulnerabilities of the financial sector** in terms of foreign exposure and insufficient asset quality.	**Some progress**
PL	CSR3	MIP	Take measures to **reduce the excessive use of temporary and civil law contracts** in the labour market.	**Some progress**
RO	CSR1	MIP	Take all the necessary measures to **complete the financial assistance programme.**	**No progress**
SK	CSR3	Integrated Guidelines	**Improve teacher training and the attractiveness of teaching as a profession** to stem the decline in educational outcomes. **Increase the participation of Roma children in mainstream education** and in high-quality early childhood education.	**Limited progress**
FI	CSR2	MIP	**Adopt the agreed pension reform** and gradually eliminate early exit pathways. Ensure effective design and implementation of the **administrative reforms** concerning municipal structure and social and healthcare services, with a view to increasing productivity and cost-effectiveness in the provision of public services, while ensuring their quality.	**Some progress**

Source: EGOV compilation based on European Commission (2015 and 2016 CSRs).
Note: Some elements of the discontinued 2015 CSRs might have been integrated as sub-components into the 2016 CSRs. This was the case for the following 2015 recommendations: BE CSR2; FR CSR2; LV CSR 2; LT CSR3; HU CSR5; MT CSR3; NL CSR2; SK CSR3; FI CSR2.

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

Values for year 2015	External imbalances and competitiveness					Internal imbalances						Employment Indicators		
	3 year average of **Current Account** Balance as % of GDP	**Net Interna-tional Invest-ment Position** as % of GDP	% Change (3 years) of **Real Effective Exchange Rate with HICP deflators**	% Change (5 years) in **Export Market Shares**	% Change (3 years) in **Nominal ULC**	% y-o-y Change in deflated **House Prices**	**Private Sector Credit Flow** as % of GDP (*)	**Private Sector Debt** as % of GDP (*)	**General Government Debt** as % of GDP	**Unemployment rate** - 3 year average	% y-o-y Change in **Total Financial Sector Liabilities,** non-consolidated (*)	**Activity rate % of total pop. aged 15-64 - 3 years change**	**Long term unemployment rate % of active pop. aged 15-74 - 3 years change**	**Youth unemployment rate % of active pop. aged 15-24 - 3 years change**
Thresholds	**-4/+6%**	**-35%**	**±5% (EA) ± 11%**	**-6%**	**+9% (EA) + 12%**	**+6%**	**14%**	**133%**	**60%**	**10%**	**16.5%**	**-0.2%**	**0.5%**	**0.2%**
BE	-0.2	61.8	-1.2	-10.6	2.1	0.2	-2.0	159.4	106.0	8.5	3.9	0.7	1.0	2.3
BG	1.2	-60.7	-4.1	14.0	10.8	3.6	-0.3	124.3	26.7	11.2	7.2	2.2	-1.2	-6.5
CZ	0.2	-31.2	-8.0	0.0	0.1	3.8	1.8	72.7	41.1	6.1	4.4	2.4	-0.6	-6.9
DK	7.3	42.0	-1.5	-11.9	4.8	6.2	4..3	220.2	40.2	6.6	6.3	-0.1	-0.4	-3.3
DE	7.5	49.2	-1.5	-3.0	5.9	4.5	1.1	100.4	71.2	4.9	4.2	0.4	-0.4	-0.8
EE	1.0	-40.2	6.4	10.1	15.7	7.0	6.4	116.1	9.7	7.4	12.2	1.9	-3.1	-7.8
IE	3.8	-70.0	-5.9	13.4	-5.6	9.8	13.7	263.3	93.8	11.3	16.0	0.8	-3.7	-9.5
EL	-1.4	-126.4	-5.5	-20.7	-9.4	-3.8	-2.7	129.9	176.9	26.3	-7.2	0.3	3.7	-5.5
ES	1.3	-90.5	-2.9	-3.6	-1.0	4.1	-7.4	165.4	99.2	24.2	-1.6	0.0	0.4	-4.6
FR	-0.6	-17.4	-2.7	-5.5	n.a.	-1.4	3.3	143.2	95.8	10.3	5.4	n.a.	0.6	0.3
HR	2.3	-79.0	0.1	-3.5	-5.1	-2.4	0.4	119.4	86.7	17.0	1.2	2.9	0.1	0.9
IT	1.6	-26.7	-2.1	-8.8	2.2	-2.5	-0.9	119.5	132.7	12.2	-0.7	0.5	1.3	5.0
CY	-4.2	-129.2	-6.2	-19.2	-8.1	3.2	-8.5	348.3	108.9	15.7	0.7	0.1	3.2	5.1
LV	-1.8	-59.3	3.1	10.1	15.2	-3.7	-11.9	96.4	36.4	10.9	10.4	1.3	-3.3	-12.2
LT	1.1	-45.1	4.0	15.6	10.5	4.6	-1.2	52.5	42.7	10.5	16.3	2.3	-2.7	-10.4
LU	5.6	31.6	-0.5	21.5	1.1	5.1	0.5	342.2	21.4	6.1	21.5	1.5	0.3	-1.7
HU	3.4	-69.9	-6.9	-7.5	6.1	11.6	-0.5	91.4	75.3	8.2	8.6	4.9	-1.9	-10.9
MT	5.6	51.0	-0.2	-9.5	2.1	2.0	6.7	146.9	63.9	5.9	6.0	4.5	-0.7	-2.3
NL	9.6	66.7	-0.6	-7.8	1.5	3.2	-1.6	228.9	65.1	7.2	8.2	0.6	1.1	-0.4
AT	2.2	3.2	1.8	-9.2	6.1	3.9	0.2	127.1	86.2	5.6	-1.5	0.4	0.5	1.2
PL	-1.2	-61.9	-1.0	8.7	n.a.	2.8	4.8	77.9	51.3	8.9	0.6	1.6	-1.1	-5.7
PT	0.7	-109.4	-2.8	2.0	0.3	2.4	-5.5	190.2	129.0	14.4	-7.4	0.0	-0.5	-6.0
RO	-0.9	-51.3	2.7	21.2	1.1	1.7	-2.4	62.1	38.4	6.9	1.1	1.3	0.0	-0.9
SI	6.6	-38.5	0.6	-3.8	-1.7	1.9	-4.6	100.1	83.2	9.6	-0.4	1.4	0.4	-4.3
SK	0.3	-69.4	-0.7	6.3	1.8	5.5	3.9	76.2	52.9	13.0	7.0	1.5	-1.8	-7.5
FI	-0.8	-3.9	2.3	-20.5	3.4	-0.2	1.2	148.4	63.1	8.8	8.5	0.5	0.7	3.4
SE	5.8	-1.6	-7.9	-10.2	3.9	12.0	5.9	194.0	43.4	7.8	13.4	1.4	0.0	-3.3
UK	-5.0	-3.5	11.2	1.41	0.6	6.5	3.0	157.6	89.2	6.3	4.4	0.8	-1.1	-6.6

Source: Eurostat, data extracted on 2 June 2016. The shaded cells indicate values outside the thresholds (see AMR); (*) - 2014 data.