IN-DEPTH ANALYSIS

Economic Dialogue and Exchange of Views with the President of the Council (ECOFIN)

ECON on 11 July 2017

Toomas Tõniste, Minister of Finance of Estonia, is participating in the ECON Committee as current President of the ECOFIN Council during the Estonia Presidency (July - December 2017). According to the Treaty of the Union "Member States shall regard their economic policies as a matter of common concern and shall coordinate them within the Council". This briefing reviews recent developments with regard to Economic Governance issues, including activities in the context of the European Semester, as well as the latest developments in completing the Banking Union.

The Estonian Presidency ECOFIN priorities

On 1 July 2017, Estonia took up the rotating presidency of the Council of the EU for the first time since its accession in 2004. To help achieving an **open and innovative European economy**, the Estonian Presidency is to encourage economic growth by restoring investment levels and removing barriers; to ensure a competitive and fraud-proof tax environment; and to secure an EU budget that contributes to the priorities of the European Union.

In terms of policy areas, the key Estonian priorities in the ECOFIN Council are as follows:

1. *Banking Union and Capital Markets Union:*
   - Reaching a political agreement with the European Parliament on the hierarchy of creditors and the transition to the International Financial Reporting Standard No 9. As regards the remaining parts of the banking risk reduction package, the objective is to achieve a general approach in the Council;
   - Further progressing on the draft of the European deposit insurance system. The ECOFIN Council will also be given an overview of the discussions on creating a permanent defence mechanism for common crisis resolution;
   - Continuing with the discussion on the Capital Markets Union legislative proposals; preparing the Council's conclusions to set out the next steps for strengthening capital markets and removing restrictions on the free movement of capital based on the mid-term review of the Capital Markets Union Action Plan presented by the Commission (COM);
   - Advancing the negotiations on the regulation on restoring the financial position of central counterparties and crisis resolution, and if possible, trying to attain the mandate of the Council for starting negotiations with the European Parliament;
   - Promoting the negotiations on the proposal regarding the pan-European personal pension product as far as possible;
   - Taking forward the proposals resulting from the review of micro- and macro-prudential supervision.
2. *Taxation*
   - Modernising the VAT system, i.e. reducing administrative burden and strengthening the system's resilience to fraud in order to reduce the disturbing VAT gap in Europe. The Estonian Presidency intends to launch 1) negotiations on the definitive cross-border VAT system, which is based on the principle of taxation at the place of consumption and 2) review of reduced rates.

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It will also seek a political agreement on draft legislation on e-publications and the general reverse charge mechanism as well as the main elements of the VAT e-commerce proposal;

- Fighting against tax evasion, tax avoidance and tax fraud, while promoting fair and growth-friendly taxation - in particular, the Estonian Presidency will continue discussing the proposal for a Council Directive on a Common Corporate Tax Base (CCTB) that aims, inter alia, at ensuring the taxation of profits in the countries where the value is created. Estonia would also like to initiate a discussion on the challenges to achieving the fair taxation of the digital economy;
- Proceeding with the proposal on disclosing tax avoidance schemes to financial intermediaries, and adopting the common EU list of non-cooperative third countries;
- Elaborating the positions/guidelines of the Council on the joint development of electronic customs systems to make the functioning of the customs union more effective.

3. *the EU budget and related issues*
    - Achieving a good, timely agreement on the 2018 European Union budget that takes into account the needs of the EU and ensures policy implementation. The objective is achieve the joint position of the Council on the draft budget submitted by the COM in July and bring the talks with the European Parliament to a close, effectively, in November;
    - Reaching an agreement with the European Parliament on the amendments to the financial regulation submitted during the interim review of the multiannual financial framework (MFF)/omnibus regulation, and the regulation extending the European Fund for Strategic Investments.

4. *the economic management of Europe*
    - Preparing the new European Semester cycle, i.e. establishing the economic policy calendar in cooperation with the next Presidency (Bulgaria), discussing the 2018 Annual Growth Survey and starting discussions for drafting the conclusions on the priorities of the Council. The Estonian Presidency also aims at discussing the implementation of existing county-specific recommendations and sharing the best practices. Decisions on the implementation of the Stability and Growth Pact, as well as conclusions on the further development of the European Statistical System are to be adopted as well;
    - Coordinating the EU positions regarding G20 issues; further progressing on the draft legislation on granting macro-financial assistance to the partners of the EU and promoting constructive cooperation with the partners in the European Free Trade Association (EFTA).

5. *the future and financing of the European Union and the Economic and Monetary Union (EMU)*
    - Starting discussions on the issues raised in the Commission's White Paper on the future of the European Union as well as reflection papers on the Economic and Monetary Union and the financing of the EU in order to provide input to the possible exchange of views in the European Council in December.

Latest developments

- On 7 July 2017, the Board of Directors of the **European Stability Mechanism** (ESM) approved the third tranche of EUR 8.5 billion of ESM financial assistance to Greece. This follows the approval of the Supplemental Memorandum of Understanding by the ESM Board of Governors and the Greek government's completion of all prior actions on 5 July 2017.
- On 28 June 2017, the COM published its **Reflection paper on the future of EU finances**. This paper looks at the EU budget's tough challenge: 'to fund more with less'. It discusses the key elements, structured around the five scenarios of the White Paper: will the EU simply carry on, do less together, move ahead at different levels of intensity, do less but more efficiently or do much more together?
- On 23 June 2017, **the Single Resolution Board (SRB)** assessed that the conditions for resolving two Italian banks -Veneto Banca and Banca Popolare di Vincenza- under the Bank Recovery and Resolution Directive (BRRD) were not met. The two banks were subsequently wound down through a special insolvency procedure under Italian law.
- In the context of the European Semester, the Council approved on 16 June 2017 the **Country Specific Recommendations** (CSRs) and closed the **Excessive Deficit Procedure** for Croatia and Portugal.
- On 16 June, the **Eurogroup** discussed progress on the financial assistance programme with **Greece**. It welcomed the adoption of the prior actions for the second review and the agreement on the future policy package. The ESM will be in the condition of disburse EUR 8.5 billion.
- On 7 June 2017 the SRB adopted its first resolution decision for the Spanish bank Banco Popular.
- The Commission published its Reflection Paper on the "**Deepening of the Economic and Monetary Union**" on 23 May 2017.
- The Commission published on 22 May 2017 the "**European Semester Spring 2017 Package**" that includes:
  - Draft 2017 **Country Specific Recommendations** (CSRs) for 27 EU Member States;
  - Recommendations to the Council to close the Excessive Deficit Procedures (EDP) for **Croatia** and **Portugal;**
  - Reports on **Belgium** and **Finland** reviewing their compliance with the debt criterion in 2016;
  - A confirmation that **Italy** has delivered the requested additional fiscal measures for 2017;
  - A recommendation to the Council to give a warning to **Romania** concerning a significant deviation from the adjustment path toward the medium-term objective (MTO) in 2016;
  - A proposal to grant the requested flexibility to **Lithuania** and **Finland** under the SGP;
  - A conclusion that there is no need to step up the **Macroeconomic Imbalance Procedure** (MIP) for Cyprus, Italy and Portugal.

Content

This note provides information on:

1. The 2017 Country Specific Recommendations
2. Recent conclusions and proposals in the context of the Stability and Growth Pact
3. Recent developments and current situation on the Macroeconomic Imbalance Procedure
4. Financial Assistance Programmes
5. Progress on the Banking Union

Box 1 outlines some elements of the Reflection Paper on EMU relevant for the EU Semester; the Annexes include a note on the implementation of CSRs, the latest Scoreboard for the identification of macroeconomic imbalances and a table depicting Member States' progress towards the EU 2020 targets.

Box 1: The Commission Reflection paper on deepening of the EMU (May 2017) Semester Elements

Before 2019, the European Semester could be reinforced further.

Building on the efforts over the last two years, the Commission will look into ways to:

- Foster further the cooperation and dialogue with Member States, involving also national parliaments, social partners, the National Productivity Boards and other stakeholders, to ensure stronger domestic ownership and encourage better reform implementation;
- Increase further the focus on the aggregate euro area dimension, with a stronger role for the euro area recommendations. This would ensure a better correlation between the reform needs from a euro area-wide perspective and the reform priorities of national governments;
- Make a closer link between the yearly process of the European Semester and a more multi-annual approach to reforms of national governments.

Such improvements could provide Member States with a clear picture of persisting divergences as well as the means to ensure proper re-convergence.

* * *

The following options could be considered in order to strengthen the links between the EMU objectives, in terms of reforms and convergence, and the EU fiscal tools:

- As a first step by 2019, ways could be considered to **strengthen the stabilisation features** of the existing EU budget. This could be done, for instance, by modulating co-financing rates more systematically according to the economic conditions in Member States. However, one must also recognise that given the limited size of the EU budget in comparison to most Member State economies, the overall macroeconomic stabilisation properties of such an approach remain limited by definition.
- Looking ahead, the **link between policy reforms and the EU budget** could be strngthened to foster convergence. This could take the form of either a dedicated fund to provide incentives to Member States to carry out reforms or by making the disbursement of the European Structural Investment Funds, or part of them, conditional on progress in implementing concrete reforms to foster convergence. Reform implementation would be monitored within the framework of the European Semester. The Commission will also come forward with a reflection paper on the future of EU finances in the coming weeks.

1. The 2017 European Semester: Country Specific Recommendations

At its meeting of 22-23 June 2017, the European Council generally endorsed the 2017 Country Specific Recommendations (CSRs). The Council is expected to adopt these recommendations on 11 July 2017.

On 16 June 2017, the Council approved the 2017 CSRs, based on the draft CSRs proposed by the Commission in May (see below and Box 2).

On 22 May 2017, the Commission published the draft 2017 Country Specific Recommendations (CSRs) for 27 EU Member States[1] (all Member States except Greece). The recommendations proposed by the Commission provide guidance on "*a selected number of priority issues of macroeconomic and social relevance*" that "*can realistically be achieved in the next 12-18 months to make growth stronger, more sustainable and more inclusive*".

The 2017 CSRs were devised under the so-called streamlined Semester that is characterized, in particular, by: fewer and refocused CSRs[2]; an earlier publication of the recommendations on the economic policy of the euro area (i.e. at the very beginning of the cycle, along the publication of the AGS); an earlier assessment of the implementation of CSRs adopted under the previous cycle; inclusion of in-depth reviews under the MIP into the Country Reports (where applicable); and finally an intensified dialogue between the Commission and Member States as well as other European institutions.

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 per Member State	Maximum number of CSRs per Member State
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)
2017	78	27	2.9	1 (DK,SE)	5 (HR, CY)

Source: EGOV calculations based on the European Commission.
Note: The 2017 CSRs are yet to be approved and formally adopted by the Council.

In the context of the 2017 European Semester, the Commission:

- Further reduced the number of **CSRs,** from 89 under the previous cycle to 78 at present (see Table 1 above).
  - *This reduction has been achieved almost entirely by merging policy areas that were previously addressed separately into a single recommendation*[3] (see a separate EGOV note comparing the 2016 and 2017 CSRs);
  - *Out of 78 draft 2017 CSRs, 76 recommendations are linked to policy areas that were already covered during the previous cycle* (about 97%). Two Member States received a new policy recommendation each in 2017, namely Croatia, (CSR 3 - reform of the education system) and

[1] The Commission does not propose CSRs to Member States receiving financial assistance to avoid duplication with measures set out in the economic adjustment programme.
[2] In this regard, the Commission 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 (the COM Communication of 13 May 2015, p. 10).
[3] The decrease in number of CSRs observed between 2016 and 2017 is a result of two opposing trends. On the one hand, out of 89 CSRs adopted under the 2016 European Semester, 13 were dropped this year (either by being fully discontinued - on two occasions, or merged into other CSRs - on 11 occasions). On the other hand, two new CSRs were proposed under the 2017 vintage (HR and MT). Consequently, the total number of CSRs declined to 78 in 2017 (11 fewer compared to the previous cycle).

Malta (CSR 2 - supervision of internationally oriented business by financial institutions, licensed in Malta);

  - *From the legal perspective*, about 60% of the draft 2017 recommendations were underpinned by either the MIP or the SGP or both. The remaining 40% of CSRs were based on 'Integrated guidelines'.

- Presented for the first time an assessment of **CSRs implementation** from a multiannual perspective (see the Commission Chapeau Communication on the 2017 European Semester)**.** Besides the yearly assessment that has been typically used to assess Member States' progress with the reform agenda, the Commission introduced a multiannual approach to take into account the fact that "*implementing reforms takes time*". According to this new yardstick, "*around two thirds of CSRs issued until 2016 have been implemented with at least 'some progress'.*

  On the other hand, the yearly assessment would point to a somewhat lower but still sizeable implementation rate of CSRs. In particular, *about 50% of CSRs were implemented in 2014 and 2015 with at least 'some progress'*. This percentage slightly declined to *45% during the 2016 European Semester cycle* (see Annex 1 for an overview).

Box 2: "Comply or explain"

In line with Article 2-ab(2) of EU Regulation No 11757/2011 (the "*comply or explain*" rule), the Council explained its changes to CSRs for Germany and the Netherlands to which the COM did not agree, as follows (see the Council document 9564/17):

Germany - CSR 1

Commission text:

Use fiscal policy to support domestic demand and achieve a sustained upward trend in investment. [...]

Agreed text:

While respecting the medium-term objective, use fiscal and structural policies to support potential growth and domestic demand as well as to achieve a sustained upward trend in investment. [...]

Explanation:

It was agreed that the changes are based on the language for the euro area CSR for 2017 and last year's CSRs for Member States that outperformed the Medium-Term Objective.

The Netherlands - CSR 1

Commission text:

Use fiscal policy to support domestic demand, including investment in research and development. [...]

Agreed text:

While respecting the medium-term objective, use fiscal and structural policies to support potential growth and domestic demand, including investment in research and development. [...]

Explanation:

It was agreed that the changes are based on the language for the euro area CSR for 2017 and last year's CSRs for Member States that outperformed the Medium-Term Objective.

For the full list of all the changes introduced by the Council, see a separate EGOV document.

Box 3: Territorial analysis of the 2017 Country Reports

The Committee of Regions shows in its analysis of the 2017 COM Country Reports from territorial perspective that 57% of all 2016 CSRs deal with regionally-differentiated challenges, and their implementation relies (directly or indirectly) on sub-national levels of government.

Half of all territory-related 2016 sub-recommendations concern administrative capacity. Territory-related obstacles to investment in all Member States concern mainly the public administration, the regulatory environment, skilled labour, education/vocational training and transport infrastructure.

From the policy area perspective, progress was faster in the fields of employment, labour market and social policies, in which the local and regional authorities play a primary role. However, the slowest progress was realised in the area of public administration whose improvement remains, according to the Committee of Regions, "*the biggest challenge of the European Semester*", not least to successfully implement investments funded by the ESI funds as well as by the EFSI, and to use both funds in combination in the context of cohesion policy programmes.

Finally, at the Plenary Session of 11 May 2017, the Committee of Regions issued its opinion on improving the governance of the European Semester, proposing a Code of Conduct on the involvement of the local and regional authorities in the European Semester.

Box 4: ECOFIN conclusions on the implementation of the 2016 CSRs

At its meeting of 23 May 2017, the Council discussed, inter alia, the implementation of the 2016 CSRs.

Regarding **the implementation of the 2016 CSRs**, the Council:

- Noted the progress made, although reform implementation has been uneven across policy areas and countries;
- Welcomed the Commission new multiannual assessment of CSR implementation, recalling that a number of CSRs relate to long-term structural issues that take time to be addressed and that tangible results may take time to show;
- Stressed that in the currently relatively favourable macroeconomic environment, reform implementation needs to continue and be stepped up to address the identified policy challenges, guarding against reform fatigue and overcoming political economy challenges.

For further reading, please see:

- Country Specific Recommendations for 2016 and 2017 - A comparison and an overview of implementation - 23 May 2017
- Implementation of 2016 Country Specific Recommendations - 1 March 2017
- Recommendations on the economic policy of the Euro Area: A comparison of Commission and Council texts (the "comply or explain" principle) - 20 January 2017
- Euro area recommendations under the European Semester - 8 December 2016
- The legal nature of Country Specific Recommendations - 16 June 2017

2. Implementation of the Stability and Growth Pact: recent developments

Member States submitted in April/May their 2017 Stability and Convergence Programmes (SCPs), detailing the national fiscal plans for the next three years.

The Commission recommendations for Council opinions on the SCPs were published on 22 May 2017; they were based on economic policy assessments by the Commission, using data from the Spring 2017 economic forecast of 3 May 2017. These recommendations were part of a broader fiscal policy surveillance package published on 22 May 2017.

The Commission recommendations and reports of 22 May 2017 are as follows:

- **Recommendations to the Council to close the Excessive Deficit Procedures (EDP) for Croatia and Portugal,** as these countries have brought their deficits below the Treaty reference value of 3% of GDP;
- **Reports on Belgium and Finland reviewing their compliance with the debt criterion in 2016**. In both cases, the Commission concluded that this criterion should be considered as currently complied with.
- **A recommendation to the Council with a view to giving a "early warning" to Romania on the existence of a significant deviation (see Box 1) from the adjustment path toward the MTO in 2016,** together with a proposal for a Council recommendation for Romania to take appropriate corrective measures in 2017.

The Commission assessed, as part of its draft recommendations for the 2017 fiscal CSRs, that:

- **The requested flexibility to Lithuania and Finland under the SGP** should be granted.
- **Italy has delivered the requested additional fiscal measures for 2017** and therefore no further steps are deemed to be necessary for compliance with the debt criterion at this stage. However, the Commission also assesses risks of some deviation from the recommended adjustment towards the Medium-Term Objective (MTO) and therefore recommends that Italy "*needs to stand ready to take further measures to ensure compliance in 2017 and that further measures will be needed in 2018 to comply with the provisions of the SGP*".
- On the basis of the 2017 SCPs, many EU Member States under the preventive and corrective arms of the SGP are at risk of some (**Spain, Croatia, Estonia, Italy, Cyprus, Austria, Poland and the UK**) or significant (**Belgium, Ireland, France, Latvia, Hungary, Portugal, Romania, Slovenia, Slovakia**) deviation with their obligations under the SGP (see Box 5). Consequently, the respective fiscal CSR requests these Member States to "*Pursue its fiscal policy in line with the requirements of the preventive arm of the SGP*" or to "*ensure compliance*" with the Council recommendations under EDP. The wording related to the required fiscal efforts are much less specific than in the 2016 CSRs: while the 2016 CSRs mentioned often the precise requested fiscal effort, the 2017 CSRs state that it needs to be "*substantial*" or, for instance, that the country needs to "*remain at its MTO in 2018*". Such generic requests may increase the degree of discretion of Commission and Council in their compliance assessments. The precise development of the wording of the Council CSRs 2016 and Commission proposals for 2017 CSRs is available in a separate EGOV overview.
- **Bulgaria, Czech Republic, Denmark, Germany, Lithuania, Luxembourg, Malta, the Netherlands and Sweden** are in line with the current commitments under the preventive arm of the SGP. Therefore, no specific recommendation on achieving/maintaining the MTO were issued to those Member States subject to the preventive arm of the SGP.
- For seven euro area Member States (**Portugal, Belgium, Italy, Cyprus, Lithuania, Slovenia, Finland)** the Commission, in its opinions on the 2017 Draft Budgetary Plans, did already in the beginning of the 2017 Semester Cycle highlight "*risks of non-compliance*" with their obligations under the SGP; while the current assessments by the Commission on **Lithuania** and **Finland** are more positive. **Belgium, Portugal and Slovenia** are still assessed to have risks of significant

deviations from the recommended adjustment towards the MTO (see a separate EGOV note on countries "*at risk of non-compliance*" with the SGP). **Ireland** and **Slovakia** are now assessed to have a risk of a significant deviation from the recommended fiscal adjustments, while the Commission opinion on the 2017 DBP mentioned only risks of some deviation from the required adjustments towards the MTO.

It may also be noted that there are **sometimes significant differences in the underlying forecast figures** used by the Member States in their SCPs and the Commission, notably on the structural balances and the debt; a separate EGOV document provide details for euro area countries.

On 16 June 2017, the Council discussed and approved the above mentioned COM documents:

- Since the Council adopted the closure of the EDP for Croatia and Portugal, only four Member States (EL, ES, FR and UK) remain under the corrective arm of the SGP, compared with 24 countries in 2011.
- Since the Council approved the CSRs (including the fiscal CSRs), the 2017 European Semester will be concluded with the formal adoption of the CSRs on 11 July 2017. The changes between the fiscal CSRs as proposed by the COM and the ones approved by the Council on 16 June 2017 are presented in a separate EGOV overview.

Box 5: Significant deviation procedure

Regulation 1466/97 stipulates that in the event of a 'significant deviation' (= 0.5% of GDP in 1 year or cumulatively over 2 years) from the MTO or from its adjustment path, the Commission (COM) can give an 'early warning'. While many countries are currently assessed to be at risk of such a deviation, Romania has been assessed by the COM on 22 May 2017 to have had a significant deviation from the MTO in 2016 (the deviation amounted according to COM spring forecast to 1.6% of GDP), so that the COM addressed a warning to Romania and proposed a Council recommendation for Romania to take appropriate corrective measures in 2017, in order to avoid the opening of an EDP.

The Council shall, within 1 month of the date of adoption of the warning adopt a recommendation for the necessary policy measures, on the basis of a COM recommendation. The recommendation shall set a deadline of no more than 5 months for addressing the deviation. The deadline shall be reduced to 3 months if the Commission, in its warning, considers that the situation is particularly serious and warrants urgent action. The Council, on a proposal from the COM, shall make the recommendation public.
Within the deadline set by the Council in the recommendation under Article 121(4) TFEU, the Member State concerned shall report to the Council on action taken in response to the recommendation.
Regulation 1173/2011, Art 4, stipulates for euro area Member States that if a Member State fails to take action in response to the Council recommendation based on an early warning of the COM, the COM shall, within 20 days of adoption of the Council's decision, recommend that the Council, by a further decision, require the Member State to lodge with the COM an interest-bearing deposit amounting to 0.2% of its GDP in the preceding year.

For further reading, please see:

- Implementation of the Stability and Growth Pact - May 2017
- Structural budget balances in EU Member States - May 2017
- Thematic overview: Member States whose 2017 Draft Budgetary Plans were assessed to be "at risk of non-compliance" with the Stability and Growth Pact - May 2017

3. Macroeconomic Imbalance Procedure: recent developments

The situation of EU Member States with respect to the MIP is as follows:

- **6** Member States are considered being in a situation of **"excessive macroeconomic imbalances":** Bulgaria, France, Croatia, Italy, Cyprus and Portugal;
- **6** Member States are considered being in a situation of "**macroeconomic imbalances**": Germany, Ireland, Spain, the Netherland, Slovenia and Sweden;
- **Greece** is under surveillance in the context of a macroeconomic adjustment programme;
- the other **15** Member States are not considered at risk of **"macroeconomic imbalances**".

All countries with imbalances are subject to specific monitoring, which 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.

In the "European Semester 2017 Spring Package", the Commission:

- concluded that there was no need to open an **Excessive Imbalance Procedure** for Cyprus, Italy and Portugal. While the reform commitments outlined in their National Reform Programmes "*appear sufficiently ambitious*", the Commission highlights that "*the absence of details on the adoption and implementation timeframe limits their credibility*".
- proposed the **Country Specific Recommendation**, which may be underpinned by the corrective arm of the MIP for the MSs experiencing macroeconomic imbalances. France, Italy, Croatia, Portugal, Germany, the Netherland and Sweden received all their respective draft CSRs based on the MIP. Among the 40 draft CSRs targeting the twelve Member States with macroeconomic imbalances, 35 have the MIP as a legal basis.

Box 6: ECOFIN conclusions on the MIP and the in-depth reviews

At its meeting of 23 May 2017, the Council discussed, inter alia, the in-depth reviews of macroeconomic imbalances for 13 Member States.

The Council:

- Agreed with the Commission assessments in the context of the MIP, while underlining that this procedure should be used to its full potential, with the **corrective arm** applied where appropriate;
- Recognised the progress achieved by many Member States in correcting their external and internal imbalances. However, despite these improvements, the challenges and risks remain broadly unchanged and further progress on policy action is needed to address imbalances, in particular elevated levels of indebtedness. At the same time, **elevated current account surpluses** in some euro area Member States with relatively low deleveraging needs persist and could under some circumstances indicate large savings and investment imbalances deserving progress on policy actions;
- Noted that the rebalancing of deficits to surplus positions in many euro area countries, coupled with persistent and high surpluses in others, has implied an asymmetric adjustment leading to a large and increasing surplus position of the euro area as a whole whose consequences deserve further attention.

Table 2 depicts the situation of Member States with respect to MIP since its inception in 2012. Croatia and Italy have experienced *excessive imbalances* for four consecutive years, and *excessive imbalances* have been identified in Bulgaria, France and Portugal for a third year in a row. It can also be noted that one Member States (Sweden) has been experiencing *imbalances* since 2012.

Table 2: Commission's conclusions under MIP

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

Source: European Commission, ECB and EGOV.

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 Alert Mechanism Report.

So far, the **implementation of the CSRs based on MIP** appears to be rather weak: in fact, **only 2%** of the MIP-related 2016 CSRs have been **fully implemented**, the worst performance in the MIP history. Among the countries experiencing excessive macroeconomic imbalances, only France implemented one CSRs substantially; among the remaining 28 CSRs addressed to MS with excessive imbalances, 18 registered limited or no progress in their implementation.

For further reading, please see:

- Implementation of the Macroeconomic Imbalance Procedure - June 2017
- Member States with Excessive Macroeconomic Imbalances - June 2017

4. Financial Assistance Programmes: recent developments

Implementation of ongoing programme: Greece

Greece: In **June 2016**, the COM published a report on the compliance with the Memorandum of Understanding (MoU) upon **conclusion of the first review**, including an updated Debt Sustainability Analysis. The report provided an overall positive assessment of programme implementation. A Supplemental Memorandum of Understanding (sMoU), updating the policy conditionality set out in the MoU, was published on 16 June 2016. The ESM authorised on 17 June 2016 the second tranche, totalling €10.3 billion, which has been paid between June and October 2016 after Greece implemented fifteen milestones (*inter alia* on pensions and bank governance) and cleared net arrears.

Altogether, Greece has so far received €31.7billion under the current programme (and paid back €2 billion, following the sale of an asset by one bank that took part in the 2015 banking recapitalisation).

Short-term debt relief measures were endorsed by the Eurogroup in December 2016 and adopted by the ESM on 23 January 2017. The December Eurogroup also welcomed the agreement on a 2017 budget that confirms the primary balance target of 1.75% of GDP and allows for the national rollout of the Guaranteed Minimum Income. The Eurogroup noted that a staff-level agreement should include measures to reach the primary fiscal balance target of 3.5% of GDP for 2018, as well as reforms enhancing growth and competitiveness.

The Eurogroup meeting of 15 June **2017 finalised its discussion on the ongoing second review.** It welcomed the adoption of the agreed prior actions for the second review by Greece's parliament. They were part of the set of policy reforms forming **a new sMoU** the country had agreed with the institutions (COM, ECB, ESM and IMF) in May 2017, such as pensions, income tax, the labour market as well as the financial and energy sectors [Note: while this new sMoU has not been published yet by the institutions, a "*draft preliminary version*" is available in the public domain]. Their purpose is to make Greece's medium-term fiscal strategy more robust and support the growth-friendly rebalancing of the economy. The Eurogroup of 15 June 2017 also invited Greece, together with the institutions and relevant third parties, to develop and support a holistic, growth enhancing strategy. On debt measures, it referred to its approach to the **sustainability of Greece's public debt** that was agreed in May 2016: They would be implemented after successful completion of the programme, if a new debt sustainability analysis were to confirm that such measures are necessary. The Eurogroup welcomed Greece's commitment to maintain a primary surplus of 3.5% of GDP until 2022 and a fiscal path consistent with the European fiscal framework thereafter (according to COM of equal to or above but close to 2.0% of GDP in the period of 2023-2060). Against this background, IMF management will shortly recommend that its **Executive Board** approve in principle **a new, 14-month Standby Arrangement for Greece**. The ESM will be able to proceed with the disbursement after the euro area member states have completed their relevant national procedures authorizing the disbursement. **The next tranche will amount to €8.5bn., which will bring the total amount of disbursed ESM funds to Greece to €40.2bn** (out of a programme volume of up to €86 bn). More information on the latest Eurogroup decisions on Greece are available in the Eurogroup statement of 15 June 2017.

On 7 July 2017, the Board of Directors of the ESM approved the third tranche of € 8.5 billion of ESM financial assistance to Greece. This follows the approval of the Supplemental Memorandum of Understanding by the ESM Board of Governors and the Greek government's completion of all prior actions on 5 July 2017.

Post-programme surveillance

Ireland: End of 2013, Ireland exited the 3-year-programme and is since then subject to post programme reviews by COM (in liaison with ECB), ESM and IMF. The COM and ECB (staff) conducted their latest review mission in May 2017. They concluded that growth of the domestic economy remains robust, driven by positive developments in the labour market, consumption and core investment. However, they also noticed that some of the striking headline figures are heavily distorted by activities of multinational enterprises. They welcomed recent efforts to develop complementary economic indicators. They assessed that risks remain tilted to the downside, notably due to uncertainty on the final outcome of the Brexit negotiations between the UK and the EU. EC and ECB staff highlighted that high external uncertainty puts an even greater premium on prudent fiscal policy. They noted that resilience of public finances to economic fluctuations could be strengthened by broadening the tax base. On banking/housing issues they assessed inter alia that the recovery of the Irish banks continues but is yet to be completed (non-performing loans continue to decline but the share of long-term arrears is still significant). These conclusions are similar to those of the IMF after its latest review mission of Nov./Dec. 2016 (see staff statement, staff report and executive board conclusion) and after its Art. IV mission in May 2017.

Cyprus: In March 2016, Cyprus successfully exited from the ESM and IMF financial assistance programme. The first PPS/EWS mission took place in September 2016 and was coordinated with the IMF. The EC staff noted that the reforms undertaken by Cyprus have started to bear fruit as reflected in robust growth as well as positive developments in public finances and the financial sector. However, the reform momentum has significantly weakened, with pieces of legislation still awaiting adoption in several key areas. The IMF reached similar conclusions, welcoming Cyprus' economic achievements. At the same time, private sector debt, non-performing loans and general government liabilities have remained at high levels. The IMF also encouraged the authorities to restart macro-critical structural reforms to enhance competition and encourage broad-based investment and economic growth.

Portugal: Portugal has been subject to PPS/EWS/PPM following the government's decision of 12 June 2014 to exit the programme before its expiration, without disbursement of the full amount of the assistance. The fifth PPS/EWS/PPM mission took place in November/December 2016. The EC staff concluded that the pursuit of prudent fiscal policy and ambitious growth-enhancing reforms, including a comprehensive approach to reduce corporate debt and weaknesses in the financial sector, is key to improving Portugal's potential growth and its resilience to shocks amid volatile sovereign yields and high financing needs in the medium term. According to the Portuguese Treasury and Debt Management Agency (IGCP) presentation to investors of 24 May 2017, the Minister of Finance has formally requested the agreement of the EU Member States and EU institutions for additional early reimbursements of the IMF loans amounting to €6.5 billion in 2018 and €3.2 billion in 2019.

Spain: The ESM programme for the recapitalization of the Spanish banking sector expired on 31 December 2013. The seventh PPS/EWS visit took place in April 2017. The teams from the EC, ECB and ESM concluded that robust economic growth, which exceeded expectations in 2016, continues to support the rebalancing of the economy. However, high level of private and public debt is reflected in a sizeable amount of external liabilities. The financial sector situation has continued to improve on the back of strong economic recovery, ample liquidity and low funding costs. The quality of banks' assets has further strengthened, with the non-performing loan ratio continuing on its downward trend, though NPLs still remain high.

For more information on the state of play as regards financial assistance programmes, see a separate EGOV table.

5. Completing the Banking Union: recent developments

The first two pillars of the Banking Union - supervision and resolution- are now well established. The SSM has made considerable progress in establishing common supervisory rules and practices (see for example ECB guidance on non-performing loans published in March 2017). The SRB has recently taken its first decisions as regards resolution actions:

- On 7 June 2017, the SRB adopted its first resolution decision for the Spanish bank Banco Popular, by transferring all shares and capital instruments of Banco Popular Español to Banco Santander for 1 EUR. Such decision had followed the assessment by the ECB on 6 June that Banco Popular was 'failing or likely to fail';
- On 23 June 2017, the SRB assessed that the conditions for resolving two Italian banks -Veneto Banca and Banca Popolare di Vincenza- under the Bank Recovery and Resolution Directive (BRRD) were not met. The two banks were subsequently wound down through a special insolvency procedure under Italian law.

However, only limited progress has been made on the third pillar, i.e. the European Deposit Guarantee Scheme (EDIS) and the parallel risk reduction measures. Both the EDIS proposal (adopted by the Commission in November 2015) and the risk reduction measures that are part of the 'banking package' adopted by the Commission in November 2016 are still in discussion in the European Parliament and in the Council (See EGOV briefing: Completing the Banking Union).

The Commission reflection paper on the deepening of the economic and monetary union of 31 May 2017 calls for a swift completion of the Banking Union and stresses the importance of making progress on both risk reduction and risk sharing.

As regards risk reduction, three areas are considered by the Commission as a priority:

1) *The November 2016 package*
The aim of the proposals - amending CRD/CRR, BRRD and SRM regulation - is to reduce risks carried by banks by further reinforcing prudential management and by strengthening market discipline. They also aim to align the EU's banking union rules with a number of standards agreed at international level (Basel Committee on Banking Supervision, the Financial Stability Board). The Commission also suggested measures in relation to insolvency, restructuring and second chance.
2) *Action against NPLs*
According to the reflection paper, a European strategy for non-performing loans could help to address the issue and support national actions.
3) *The European Semester*
According to the reflection paper, CSR relating to the financial sector contribute to reducing risks to financial stability or improving access to finance in the countries concerned. In the same spirit, the Commission is currently carrying out a benchmarking exercise to shed light on the features of loan enforcement and insolvency systems which have an impact on banks' balance sheets.

On the risk sharing side, the Commission calls for an agreement on EDIS and the backstop to the SRF by 2019, so that these are in place and fully operational by 2025.

In its meeting on 16 June 2017, the Council reviewed progress on the various proposals relating to Banking Union (EDIS, CRD/CRR, BRRD, and SRM). **It agreed its stance on a draft directive amending Directive 2014/59/EU on the ranking of unsecured debt instruments in insolvency hierarchy** (which is part of the November 'Banking package'). It took note of a report of the Financial Services Committee (FSC) on NPLs, and is expected to discuss it and adopt policy conclusions at its meeting of 11 July 2017.

Capital Markets Union: On 8 June 2017, the Commission published a Communication on the mid-term review of the CMU action plan. Nine priority actions are listed, among which presenting measures to support secondary markets for non-performing loans (NPLs) and explore legislative initiatives to strengthen the ability of secured creditors to recover value from secured loans to corporates and entrepreneurs.

On 30 May 2017, the EP, the Council and the Commission had reached an agreement on one of the cornerstones of CMU, i.e. securitisation. They agreed on a package that sets out criteria for simple, transparent and standardised securitisation.

On 13 June 2017, the Commission proposed a revision of EMIR in order to strengthen the supervision of CCPs, in particular of third-country CCPs. According to the proposal, if a CCP poses too much risk to the financial stability of the EU, the Commission may ask, upon request of ESMA and in accordance with the relevant central bank, that the ECB establishes itself in the EU in order to provide services in Europe.

For further reading, please see:

- Hearing with Mrs Elke König, Chair of the Single Resolution Board, ECON - July 2017
- The precautionary recapitalisation of Monte dei Paschi di Siena (update) - July 2017
- The resolution of Banco Popular - July 2017
- The orderly liquidation of Veneto Banca and Banca Popolare di Vicenza - July 2017
- Completing the Banking Union: Risk sharing initiatives and parallel risk reduction measures - June 2017
- Upgrading the Basel standards: from Basel III to Basel IV? - January 2017
- Country Specific recommendations on Banking issues 2011-2016 - March 2017

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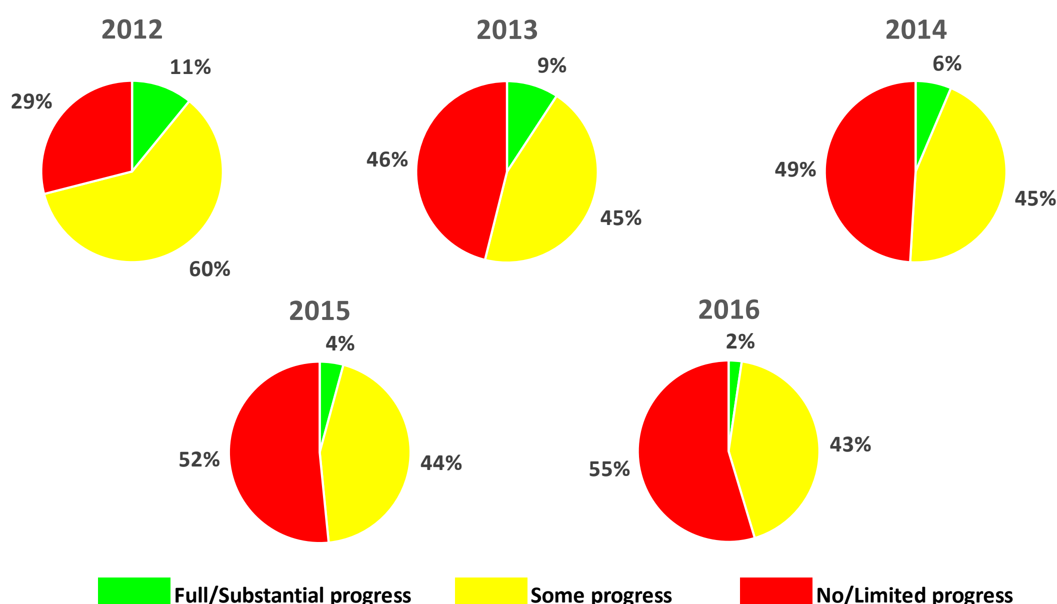
ANNEX 1: Implementation of the 2012-2016 CSRs

Based on the yearly assessments published by the COM in its Country Reports, approximately half of recommendations were implemented with at least 'some progress' during each year over the 2013-2016 European Semester cycles (see Figure 1 below). At the same time, the share of fully/substantially implemented CSRs considerably declined over the 2012-2016 Semester cycles, from 11% in 2012 to 2% in 2016, while the part of recommendations with limited/no progress has progressively increased from nearly 30% in 2012 to 55% in 2016. Consequently, this reading of the results would, *prima facie*, point to a falling reform implementation resolve on the Member States' side. Note that CSRs implementation rates shown in Figure 1 are based on the assessment provided by the COM at the level of CSRs as a whole (and not on the assessment at sub-recommendation level[4]). Furthermore, identical weights are assigned to each and every CSR within and across Member States as well as across time. The analysis also abstracts from difficulties linked to implementation of various types of reforms, including the electoral cycle.

Figure 1: CSRs implementation over the period 2012-2016 (annual perspective)



Source: EGOV calculations based on the European Commission assessment provided in Country Reports.

Notes: (1) Based on the COM assessment of actions taken (rather than outcomes that may materialise with a lag), assigning identical weights to all recommendations, within and across Member States, irrespective of their institutional and political sensitivities.

(2) 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 explicitly providing the assessment grid/commentary used for other CSRs.

(3) Data for 2016 exclude CSRs related to the compliance with the SGP for three Member States (DK, HU and UK). These recommendations are to be assessed by the COM separately in its assessments of the 2017 Stability and Convergence Programmes.

Deroose and Griesse (2014) already pointed out that ***the observed downward trend in CSRs implementation is partly embedded in the European Semester process*** to the extent that "*recommendations implemented during the previous round will not be repeated in the next vintage of CSRs. Thus, Member States that have 'picked the low-hanging fruit' first may effectively be facing a more challenging set of CSRs in subsequent rounds of the European Semester, even without an active intention by the Commission or the Council to 'get tougher'*." ***This line of reasoning seems to be valid, in particular, from a medium-term perspective*** but in the long run, Member States will have some 'low-hanging fruit' to harvest some time down the road again.

[4] Many CSRs include more than one challenge to address (sub-recommendations).

The COM presents in its Chapeau Communication on the 2017 European Semester an assessment of CSRs implementation from both yearly and newly introduced multiannual perspective. The latter approach has been brought in on the grounds that "*implementing reforms takes time*". Therefore, the COM argues "*it is important to assess the process over the medium term and not only* [from] *the short term perspective*." According to this newly introduced yardstick, "*around two thirds of CSRs issued until 2016 have been implemented with at least 'some progress.*" In fact, the multiannual assessment leads to a more favourable picture regarding Member States' pursuit of structural reforms than the yearly assessment. However, it may be noticed that:

1) The COM did not published, as part of its Communication of 22 May 2017, the methodology and sample underlying its multiannual assessment;
2) The COM has repeatedly stressed that CSRs are "*focused on reform steps that can be implemented within 12-18 months*". Under the current setup of the European Semester, they are proposed by the COM in May, before being adopted by the Council in July (of year t). However, their implementation is assessed already in February (of year t+1), namely after a period of eight months only[5]. This is one of the factors that currently generates, *ceteris paribus*, a downward bias in the yearly assessment of CSRs implementation and is a reason why the multiannual approach might seem more appropriate. Yet on the other hand, the multiannual approach may introduce an upward bias in the results (i.e. reforms are assessed over variable time periods[6]).

Moreover, note that the shares of fully and substantially implemented recommendations in the yearly assessment presented by the COM (in its Communication on the 2017 European Semester, Figure 1, p. 6) appear to be somewhat higher than what a simple screening of the information provided in the Country Reports would indicate[7]. In particular, the screening of the 2013-2016 COM Country Reports shows that there was only one fully implemented recommendation over this period, namely 2013 CSR 3 for Spain. Looking at the sub-CSRs level, full progress was noted on only one sub-recommendation, namely 2015 CSR 2 for Romania (as regards the MTO).

In conclusion:

- Any yearly assessment will tend to underestimate the 'true' implementation rate, inter alia, due to the timing issue: CSRs are adopted in July (year t) but already assessed in February (year t+1), leaving about eight months to Member States to deliver (though recommendations are to cover policy challenges over the next 12/18 months). In other words, under the yearly approach, recommendations are assessed "too early";
- On the other hand, the multiannual assessment might overestimate the 'true' implementation rate as (a) reforms are assessed over variable time periods, presumably exceeding the targeted 12/18 months and (b) one would expect that (at least) some action is taken on most of recommendations over a sufficiently long period - the rationale behind the coordination of macroeconomic policies under the European Semester;
- Consequently, from the purely methodological perspective, both yearly and multiannual analyses will only approximate the 'true' implementation rate of CSRs. This rate could be calculated only if the assessment of CSRs implementation is done 18 months after their adoption. However, such an approach would not be compatible with the yearly coordination cycle under the European Semester;
- As to the CSRs implementation, taking yearly and multiannual perspectives together would suggest that, on average, more than half of CSRs have been implemented with at least some progress.

[5] Therefore, it is hardly surprising to observe that "*progress in implementing the recommendations from the previous years is considerably greater than for those made less than one year ago*" (the COM Communication on the 2017 European Semester, p.5). Note as well, that the COM occasionally drops some 'unsuccessful' (sub-) recommendations, i.e. those that were not implemented at all or only to a limited extent: e.g. reform of the unemployment benefit system in France, which was part of the 2016 CSR 3 and on which no progress was made, was no longer included in the draft 2017 recommendations. This was also the case for the reforms of the retail sector and professional services in Spain (part of the 2016 CSR 4, with limited and no progress respectively, and no longer included in the draft 2017 CSRs).

[6] One would expect that some action is taken on a majority of recommendations over a sufficiently long period - the rationale behind the coordination of macroeconomic policies under the European Semester. Furthermore, it remains unclear whether recommendations that were given during only one Semester Cycle and subsequently dropped despite no or limited progress are included in this multiannual analysis or not.

[7] Note that the observed gap, but only in 2015 and 2016, could be partly explained by the fact that the compliance with the SGP was assessed separately for seven and three Member States respectively. See note under Figure 1 of this briefing.

ANNEX 2: Progress on EU 2020 targets

	Employment rate *(% of population aged 20 to 64)*				**R&D Target** *(% of GDP)*				**Greenhouse Gas Emissions**[1] *(For EU28 index 1990 = 100 For Member States index 2005=100)*				**Renewable Energy** *(% of final energy consumption)*			
Member states	2014	2015	2016	Target	2013	2014	2015	Target	2013	2014	2015	Target	2013	2014	2015	Target
EU (28 Countries)	69.2	70.1	71.1	**75**	2.03	2.04	2.03	**3**	80.5	77.4	77.9	**80**	15.2	16.1	16.7	**20**
Belgium	67.3	67.2	67.7	**73.2**	2.44	2.46	2.45	**3**	93.3	88.0	91.7	**85**	7.5	8.0	7.9	**13**
Bulgaria	65.1	67.1	67.7	**76**	0.63	0.79	0.96	**1.5**	92.7	95.4	97.1	**120**	19.0	18.0	18.2	**16**
Czech Republic	73.5	74.8	76.7	**75**	1.90	1.97	1.95	**1**	99.0	92.8	91.2	**109**	13.8	15.1	15.1	**13**
Denmark	75.9	76.5	77.4	**80**	3.01	3.02	3.03	**3**	88.4	85.6	85.0	**80**	27.4	29.3	30.8	**30**
Germany	77.7	78.0	78.7	**77**	2.82	2.89	2.87	**3**	93.0	88.3	90.7	**86**	12.4	13.8	14.6	**18**
Estonia	74.3	76.5	76.6	**76**	1.73	1.45	1.50	**3**	98.7	104.4	97.5	**111**	25.6	26.3	28.6	**25**
Ireland	67.0	68.7	70.3	**69**	1.56	1.51	n.a.	**2**	86.6	85.5	89.5	**80**	7.7	8.7	9.2	**16**
Greece	53.3	54.9	56.2	**70**	0.81	0.84	0.96	**1.21**	69.3	69.6	69.8	**96**	15.0	15.3	15.4	**18**
Spain	59.9	62.0	63.9	**74**	1.27	1.24	1.22	**2**	84.2	84.0	83.8	**90**	15.3	16.1	16.2	**20**
France	69.3	69.5	70.0	**75**	2.24	2.24	2.23	**3**	87.6	84.6	87.4	**86**	14.1	14.7	15.2	**23**
Croatia	59.2	60.6	61.4	**65.2**	0.82	0.79	0.85	**1.4**	80.1	77.7	74.7	**111**	28.0	27.9	29.0	**20**
Italy	59.9	60.5	61.6	**67**	1.31	1.38	1.33	**1.53**	80.8	78.4	80.5	**87**	16.7	17.1	17.5	**17**
Cyprus	67.6	67.9	68.8	**75**	0.46	0.48	0.46	**0.5**	63.0	62.7	69.4	**95**	8.1	8.9	9.4	**13**
Latvia	70.7	72.5	73.2	**73**	0.61	0.69	0.63	**1.5**	103.7	106.6	109.1	**117**	37.1	38.7	37.6	**40**
Lithuania	71.8	73.3	75.2	**72.8**	0.95	1.03	1.04	**1.9**	92.6	96.1	90.1	**115**	22.7	23.6	25.8	**23**
Luxembourg	72.1	70.9	70.7	**73**	1.31	1.28	1.31	**2.3**	92.0	87.0	86.4	**80**	3.5	4.5	5.0	**11**
Hungary	66.7	68.9	71.5	**75**	1.39	1.36	1.38	**1.8**	72.6	72.6	77.5	**110**	16.2	14.6	14.5	**13**
Malta	66.4	67.8	69.6	**70**	0.77	0.75	0.77	**2**	113.6	117.3	125.1	**105**	3.7	4.7	5.0	**10**
Netherlands	75.4	76.4	77.1	**80**	1.95	2.00	2.01	**2.5**	85.0	76.8	80.1	**84**	4.8	5.5	5.8	**14**
Austria	74.2	74.3	74.8	**77**	2.97	3.06	3.07	**3.76**	86.2	83.0	84.8	**84**	32.3	32.8	33.0	**34**
Poland	66.5	67.8	69.3	**71**	0.87	0.94	1.00	**1.7**	104.9	102.3	102.3	**114**	11.4	11.5	11.8	**15**
Portugal	67.6	69.1	70.6	**75**	1.33	1.29	1.28	**2.7**	76.1	76.6	76.1	**101**	25.7	27.0	28.0	**31**
Romania	65.7	66.0	66.3	**70**	0.39	0.38	0.49	**2**	97.9	97.7	94.2	**119**	23.9	24.8	24.8	**24**
Slovenia	67.7	69.1	70.1	**75**	2.60	2.38	2.21	**3**	90.7	86.9	88.4	**104**	22.4	21.5	22.0	**25**
Slovakia	65.9	67.7	69.8	**72**	0.82	0.88	1.18	**1.2**	89.7	84.2	86.0	**113**	10.1	11.7	12.9	**14**
Finland	73.1	72.9	73.4	**78**	3.29	3.17	2.90	**4**	93.6	89.3	88.8	**84**	36.7	38.7	39.3	**38**
Sweden	80.0	80.5	81.2	**80**	3.31	3.15	3.26	**4**	78.7	77.0	75.8	**83**	52.0	52.5	53.9	**49**
United Kingdom	76.2	76.8	77.6	**n.n.t.**	1.66	1.68	1.70	**n.n.t.**	87.2	83.3	84.4	**84**	5.7	7.1	8.2	**15**

[1] The EU as a whole aims to reduce GHG emissions by 20 % **compared to 1990 levels**; hence the index for EU28 uses 1990 as its base year. The Member State targets, set out in the Commission Decision 406/2009, covering only sectors *not included in the EU Emissions Trading System* (EU ETS), are **relative to 2005 levels.** Thus the index for emissions from these sectors uses 2005 as its base year. Moreover, these national targets are presented in terms of an index rather than percentage deviation from the 2005 target as specified in the above-mentioned Commission Decision. By 2020, the national targets will collectively deliver a reduction of around 10 % in total EU emissions from the non-EU ETS sectors and a 21 % reduction in emissions for the sectors covered by the EU ETS (both compared to 2005 levels). This will accomplish the overall emission reduction goal of a 20 % cut below 1990 levels by 2020.

	Energy Efficiency[2] *(Primary energy consumption - Mtoe)*				Early School Leaving[3] *(% pop aged 18-24 with at most lower secondary)*				Tertiary Education[3] *(% of pop aged 30-34 with tertiary educ. attainment)*				overty/Social exclusion[4] *(people at risk of poverty or social exclusion, in thousands)*			
Member states	2013	2014	2015	Target	2014	2015	2016	Target	2014	2015	2016	Target	2014	2015	2016	Target
EU (28 Countries)	1569.9	1508.3	1529.6	**1483**	11.2	11.0	10.7	**10**	37.9	38.7	39.1	**40**	121,910	118,823	n.a.	**-20,000**
Belgium	48.7	45.2	45.7	**43.7**	9.8	10.1	8.8	**9.5**	43.8	42.7	45.6	**47**	2,339	2,336	2,335	**-380**
Bulgaria	16.3	17.2	17.9	**16**	12.9	13.4	13.8	**11**	30.9	32.1	33.8	**36**	2,909	2,982	2,890	**-260**
Czech Republic	40.8	39.3	39.9	**39.6**	5.5	6.2	6.6	**5.5**	28.2	30.1	32.8	**32**	1,532	1,444	n.a.	**-100**
Denmark	17.5	16.6	16.5	**17.8**	7.8	7.8	7.2	**10**	44.9	47.6	47.7	**40**	1,006	999	n.a.	**-22**
Germany	302.8	291.1	292.9	**276.6**	9.5	10.1	10.2	**10**	31.4	32.3	33.2	**42**	16,508	16,083	n.a.	**:**
Estonia	6.5	6.6	6.2	**6.5**	12.0	12.2	10.9	**9.5**	43.2	45.3	45.4	**40**	338	315	n.a.	**-36**
Ireland	13.4	13.4	14.0	**13.9**	6.9	6.9	6.3	**8**	52.2	52.3	52.9	**60**	1,279	1,207	n.a.	**-200**
Greece	23.6	23.7	23.7	**27.1**	9.0	7.9	6.2	**9.7**	37.2	40.4	42.7	**32**	3,885	3,829	3,789	**-450**
Spain	114.3	112.6	117.1	**119.8**	21.9	20.0	19.0	**15**	42.3	40.9	40.1	**44**	13,402	13,175	12,827	**-1,400**
France	246.0	234.8	239.4	**236.3**	9.0	9.2	8.8	**9.5**	43.7	45.0	43.6	**50**	11,540	11,048	n.a.	**-2,000**
Croatia	8.0	7.7	8.0	**9.2**	2.7	2.7	2.8	**4**	32.2	30.8	29.5	**35**	1,243	1,216	n.a.	**-150**
Italy	153.2	143.8	149.6	**158**	15.0	14.7	13.8	**16**	23.9	25.3	26.2	**26**	17,146	17,469	n.a.	**-2,200**
Cyprus	2.2	2.2	2.2	**2.2**	6.8	5.2	7.7	**10**	52.5	54.5	53.4	**46**	234	244	n.a.	**-27**
Latvia	4.4	4.4	4.3	**5.4**	8.5	9.9	10.0	**10.4**	39.9	41.3	42.8	**34**	645	606	554	**-121**
Lithuania	5.7	5.7	5.8	**6.5**	5.9	5.5	4.8	**9**	53.3	57.6	58.7	**48.7**	804	857	n.a.	**:**
Luxembourg	4.3	4.2	4.1	**4.5**	6.1	9.3	5.5	**10**	52.7	52.3	54.6	**66**	96	95	n.a.	**-6**
Hungary	21.2	21.0	22.3	**24.1**	11.4	11.6	12.4	**10**	34.1	34.3	33.0	**34**	3,097	2,735	2,541	**-450**
Malta	0.9	0.9	0.8	**0.7**	20.3	19.8	19.6	**10**	26.5	27.8	29.8	**33**	99	94	n.a.	**-7**
Netherlands	66.1	62.7	64.3	**60.7**	8.7	8.2	8.0	**8**	44.8	46.3	45.7	**40**	2,751	2,744	n.a.	**-100**
Austria	31.9	30.4	31.3	**31.5**	7.0	7.3	6.9	**9.5**	40.0	38.7	40.1	**38**	1,609	1,551	1,542	**-235**
Poland	93.0	89.2	90.0	**96.4**	5.4	5.3	5.2	**4.5**	42.1	43.4	44.6	**45**	9,337	8,761	n.a.	**-1,500**
Portugal	21.0	20.6	21.7	**22.5**	17.4	13.7	14.0	**10**	31.3	31.9	34.6	**40**	2,863	2,765	n.a.	**-200**
Romania	31.0	30.6	31.3	**43**	18.1	19.1	18.5	**11.3**	25.0	25.6	25.6	**26.7**	8,043	7,435	7,694	**-580**
Slovenia	6.7	6.5	6.5	**7.3**	4.4	5.0	4.9	**5**	41.0	43.4	44.2	**40**	410	385	n.a.	**-40**
Slovakia	15.9	15.3	15.4	**16.4**	6.7	6.9	7.4	**6**	26.9	28.4	31.5	**40**	960	963	n.a.	**-170**
Finland	33.0	33.6	32.0	**35.9**	9.5	9.2	7.9	**8**	45.3	45.5	46.1	**42**	927	904	896	**-140**
Sweden	47.1	46.2	43.7	**43.4**	6.7	7.0	7.4	**7**	49.9	50.2	51.0	**45**	1,636	1,555	n.a.	**:**
United Kingdom	194.4	183.1	183.0	**177.6**	11.8	10.8	11.2	**n.n.t.**	47.7	47.9	48.1	**n.n.t.**	15,271	15,028	n.a.	**:**

Source: Eurostat 2020 indicators (Extraction date: 30/06/2017), Europe 2020 Targets by the Commission, 2016 Country Reports;.n.n.t. = no national target.

[2] Member States have set indicative national targets based on different indicators translated into absolute levels of primary energy consumption in million tonnes of oil equivalent (Mtoe).
[3] Note that there is a break in the time series in 2014.
[4] Most of the Member States have set national targets based on a reduction in the number of people living in poverty or social exclusions (in most cases compared to 2008 levels); some Member States - whose target is not included in this column - have set national targets based on different indicators related to the reduction in poverty/social exclusion (e.g. reduction in long-term unemployment for Germany, reduction in the at risk poverty rate after social transfers for Estonia).

ANNEX 3: The MIP Scoreboards

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 pp**	**0.5 pp**	**2.0 pp**
BE	-0.2	61.2	-1.3	-11.18	1.5	1.3	6.2	175.0	106.0	8.5	-0.6	0.7	1.0	2.3
BG	0.4	-63.5	-4.1	12.5	14.9	1.6	-0.3	110.5	26.0	11.2	7.0	2.2	-1.2	-6.5
CZ	0.0	-33.2	-8.0	-1.55	0.2	3.9	0.9	68.0	40.3	6.1	7.7	2.4	-0.6	-6.9
DK	8.6	34.0	-1.5	-8.6	2.6	6.3	-6.2	207.6	39.6	6.6	-1.0	-0.1	-0.4	-3.3
DE	7.6	49.7	-1.5	-2.2	5.7	4.1	2.9	98.5	71.2	4.9	2.8	0.4	-0.4	-0.8
EE	0.9	-40.9	6.4	8.6	14.4	6.8	3.3	116.6	10.1	7.4	8.1	1.9	-3.1	-7.8
IE	4.7	-208.0	-6.0	37.2	-18.1	8.3	-6.7	303.4	78.7	11.3	9.5	0.8	-3.7	-9.5
EL	-1.2	-134.6	-5.5	-20.5	-11.1	-3.5	-3.1	126.4	177.4	26.3	15.7	0.3	3.7	-5.5
ES	1.3	-91.3	-2.9	-3.4	-0.7	3.8	-1.9	155.5	99.8	24.2	-1.0	0.0	0.4	-4.6
FR	-0.7	-15.7	-2.7	-5.3	2.2	-1.3	4.4	143.4	95.6	10.3	1.8	n.a.	0.6	0.3
HR	2.7	-77.3	0.1	-3.4	-5.7	-2.4	-1.4	114.4	86.7	16.9	2.1	3.0	0.0	0.1
IT	1.4	-23.5	-2.2	-8.8	1.7	-2.6	-1.7	116.8	132.1	12.2	1.7	0.5	1.3	5.0
CY	-4.1	-130.3	-6.3	-16.7	-10.0	0.2	4.4	353.7	107.5	15.7	2.8	0.4	3.2	5.1
LV	-1.8	-62.5	3.0	10.6	16.3	-2.7	0.7	88.7	36.5	10.9	12.2	1.3	-3.3	-12.2
LT	0.9	-44.7	3.9	15.6	11.6	4.6	2.2	55.0	42.7	10.5	6.7	2.3	-2.7	-10.4
LU	5.2	35.0	-0.5	23.1	0.0	5.9	23.7	335.8	21.6	6.1	15.5	1.5	0.3	-1.4
HU	3.0	-64.4	-6.9	-7.5	3.4	11.6	-2.8	84.7	74.7	8.2	1.3	4.9	-1.9	-10.9
MT	5.9	52.1	-0.2	-1.3	-0.2	4.6	5.1	131.8	60.6	5.9	1.3	4.5	-0.7	-2.3
NL	9.2	56.6	-0.6	-8.2	-0.4	3.6	-0.8	225.1	65.2	7.2	3.6	0.6	1.1	-0.4
AT	2.1	2.9	1.8	-9.5	6.1	3.5	2.1	126.4	85.5	5.6	0.6	0.4	0.5	1.2
PL	-1.3	-62.4	-1.1	9.9	0.3	2.9	3.3	78.7	51.1	8.9	2.5	1.6	-1.1	-5.7
PT	0.6	-112.0	-2.9	2.6	0.0	2.3	-1.9	180.3	129.0	14.4	-1.8	0.0	-0.5	-6.0
RO	-1.0	-52.0	2.7	21.2	-0.2	1.9	0.2	59.3	38.0	6.9	4.1	1.3	0.0	-0.9
SI	5.4	-38.7	0.5	-3.5	-0.6	1.5	-5.1	87.3	83.1	9.6	-3.7	1.4	0.4	-4.3
SK	1.1	-60.5	-0.7	6.9	2.2	5.5	8.2	81.4	52.5	13.0	4.5	1.5	-1.8	-7.5
FI	-1.2	0.5	2.2	-20.4	3.5	-0.4	6.9	152.9	63.7	8.8	1.3	0.6	0.7	3.4
SE	4.9	3.3	-8.0	-8.8	3.7	12.0	6.7	187.5	43.9	7.8	3.2	1.4	0.0	-3.3
UK	-4.4	-4.6	11.1	2.8	2.1	5.6	0.8	157.7	89.0	6.3	-9.2	0.8	-1.1	-6.6

Source: Eurostat, data extracted on 07 July 2017. The shaded cells indicate values outside the thresholds (see AMR); n.a. (not available).

Values for year 2016	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 pp**	**0.5 pp**	**2.0 pp**
BE	-0.2	79.5	0.0	-1.7	-0.7	1.0	12.3	182.3	105.9	8.3	1.3	0.1	0.1	-3.6
BG	1.4	-51.3	-4.5	6.3	7.2	7.5	n.a.	n.a.	29.5	9.4	n.a.	0.3	-2.9	-11.2
CZ	0.5	-24.9	-3.5	3.2	2.9	6.4	n.a.	n.a.	37.2	5.1	n.a.	2.1	-1.3	-8.4
DK	8.7	56.0	-1.3	-4.7	3.4	4.2	-10.4	210.7	37.8	6.3	3.3	1.9	-0.4	-1.0
DE	8.1	55.1	-2.0	3.3	5.4	5.1	n.a.	n.a.	68.3	4.6	n.a.	0.4	-0.6	-0.8
EE	1.9	-37.4	5.1	0.0	14.3	3.9	n.a.	n.a.	9.5	6.8	n.a.	2.4	-1.7	-5.3
IE	5.5	-185.3	-6.2	55.0	-19.9	5.3	n.a.	n.a.	75.4	9.5	n.a.	0.7	-3.6	-9.6
EL	-0.7	-136.1	-3.6	-18.7	-2.6	-1.8	-1.7	123.3	179.0	25.0	-18.5	0.7	-1.5	-11.0
ES	1.5	-85.7	-4.0	2.5	-0.5	4.8	-1.1	147.3	99.4	22.1	1.3	-0.1	-3.5	-11.1
FR	-0.7	-15.7	-3.0	-2.7	1.4	1.0	n.a.	n.a.	96.0	10.3	n.a.	n.a.	0.3	-0.3
HR	3.2	-70.8	0.0	10.3	-6.2	2.1	n.a.	n.a.	84.2	15.5	n.a.	1.9	-4.4	-18.4
IT	2.0	-15.0	-3.1	-2.3	1.8	-0.6	n.a.	n.a.	132.6	12.1	n.a.	1.5	-0.2	-2.2
CY	-4.2	-125.4	-6.6	-6.6	-5.6	0.3	n.a.	n.a.	107.8	14.7	n.a.	-0.5	-0.3	-9.8
LV	-0.4	-58.2	5.3	6.3	15.9	7.8	n.a.	n.a.	40.1	10.1	n.a.	2.3	-1.7	-5.9
LT	0.1	-43.3	5.2	5.6	13.5	4.4	n.a.	n.a.	40.2	9.2	n.a.	3.1	-2.1	-7.4
LU	5.0	23.2	-1.4	24.8	-1.2	5.8	n.a.	n.a.	20.0	6.3	n.a.	0.1	0.4	2.1
HU	3.4	-61.1	-4.8	2.1	8.4	10.4	-4.1	77.4	74.1	6.5	19.9	5.4	-2.5	-13.7
MT	7.6	47.6	0.0	9.8	-0.1	8.8	n.a.	n.a.	58.3	5.3	n.a.	4.0	-1.0	-1.9
NL	8.7	69.2	-2.0	-2.6	-1.1	4.3	1.5	221.5	62.3	6.8	5.3	0.3	0.0	-2.4
AT	2.0	7.4	1.4	-4.1	4.9	7.2	n.a.	n.a.	84.6	5.8	n.a.	0.7	0.6	1.5
PL	-1.0	-61.7	-4.7	17.8	n.a.	2.5	4.6	81.8	54.4	7.6	9.2	1.8	-2.2	-9.6
PT	0.3	-105.1	-1.7	6.1	-0.1	6.0	-2.0	172.0	130.4	12.6	0.0	0.7	-3.1	-9.9
RO	-1.4	-49.4	-2.4	24.0	5.7	6.5	0.3	55.4	37.6	6.5	7.5	0.7	-0.2	-3.1
SI	6.1	-34.5	-0.3	4.6	0.7	3.8	-0.8	81.5	79.7	8.9	3.2	1.1	-0.9	-6.4
SK	0.2	-57.6	-1.1	9.2	2.8	7.0	n.a.	n.a.	51.9	11.4	n.a.	2.0	-4.2	-11.5
FI	-1.0	7.1	0.7	-15.1	2.2	0.1	1.6	149.6	63.6	9.0	4.3	0.7	0.6	0.2
SE	4.7	15.8	-8.8	-7.5	3.0	7.5	8.1	186.5	41.6	7.4	8.9	1.0	-0.1	-4.7
UK	-4.4	24.2	0.9	0.7	3.1	6.1	5.8	160.7	89.3	5.4	9.8	0.9	-1.4	-7.7

Source: Eurostat, data extracted on 07 July 2017. The shaded cells indicate values outside the thresholds (see AMR); n.a. (not available).