STUDY

Country Specific Recommendations (CSRs) for 2014 and 2015
A comparison and an overview of implementation

This document shows:

- The assessment of the implementation of 2014 CSRs based on the Commission Country Reports as published on 27 February 2015.
- The assessment of the implementation of 2015 CSRs based on the Commission Country Reports as published on 26 February 2016.

The table also includes the recommendations adopted by the Council for the economic policies of the Member States whose currency is the euro.

A specific policy recommendation may relate to a specific EU policy objective and underlying legal procedure:

- The first CSR generally refers to fiscal policies. It could therefore trigger further procedural steps either under the preventive arm or the corrective arm of the Stability and Growth Pact (SGP) (in accordance with Regulation 1466/97, Regulation 1467/97, and Regulation 1173/2011).
- If the Member State is experiencing macro-economic imbalances, then one or more CSRs may refer to these imbalances and could therefore trigger further procedural steps under the Macro-Economic Imbalances Procedure (MIP) (in accordance with Regulation 1176/2011 and Regulation 1174/2011).
- Other CSRs may address policies aiming at other major economic policy objectives, such as growth enhancing structural reforms, employment and social aspects and/or financial market stability (in accordance with the integrated guidelines adopted under Articles 121(2), 136 and 148(4) of the TFEU).

► The CSRs for 2015 have been re-arranged in the annexed table, where relevant, to allow an easier comparison with the 2014 CSRs by policy area.
► The "colour code" used in the annexed table is based on the broad categories used in the COM Staff Working Papers for assessing the implementation of CSRs: "red" = "no progress" or "limited progress", "yellow" = "some progress", "green" = "substantial progress" or "full progress".

Click to Scroll-down: BE, BG, CZ, DK, DE, EE, EL, ES, FR, HR, IT, CY, LV, LT, LU, HU, MT, NL, AT, PL, PT, RO, SI, SK, FI, SE, UK, Euro Area
1. Following the correction of the excessive deficit, reinforce the budgetary measures for 2014 in the light of the emerging gap of 0.5% of GDP based on the Commission services 2014 spring forecast, pointing to a risk of significant deviation relative to the preventive arm of the Stability and Growth Pact requirements. In 2015, significantly strengthen the budgetary strategy to ensure the required adjustment of 0.6% of GDP towards the medium-term objective, which would also ensure compliance with the debt rule. Thereafter, until the medium-term objective is achieved, pursue the planned annual structural adjustment towards the medium-term objective, in line with the requirement of an annual structural adjustment of at least 0.5% of GDP, and more in good economic conditions or if needed to ensure that the debt rule is met in order to put the high general government debt ratio on a sustained downward path. Ensure a balanced contribution by all levels of government to the fulfilment of fiscal rules:

**Belgium** has made **limited progress** to ensure a balanced contribution by all levels of government to the fulfilment of fiscal rules:

A Cooperation Agreement concluded between the federal government and regional/community governments on 13 December 2013 introduces a structural budget balance rule for general government and formalises fiscal policy coordination among different layers of government. It has not been put into practice so far. The new governments in place at federal, community and regional level have all set their own fiscal trajectory for 2015 and beyond without formal coordination to date.

---

1. Achieve a fiscal adjustment of at least 0.6% of GDP towards the medium-term budgetary objective in 2015 and in 2016. Use windfall gains to put the general government debt ratio on an appropriate downward path. Complete the pension reform by linking the statutory retirement age to life expectancy. Agree on an enforceable distribution of fiscal targets among all government levels.

**Belgium** implemented growth-enhancing structural reforms which are expected to contribute to debt reduction in the medium/long term.
adapt the pension age or other parameters further to take account of demographic changes. The government is considering introducing a points system which would facilitate parametric changes.

**Limited progress** has been made towards an enforceable distribution of fiscal targets among the various levels of government. The Cooperation Agreement reached between the different levels of government at the end of 2013, which formalises fiscal policy coordination, has not been fully implemented. The distribution of the fiscal trajectory for the general government in the 2015 Stability Programme is only indicative, and no formal distribution of targets has been agreed. This hampers the strengthened monitoring role of the High Council of Finance, as it cannot assess compliance with agreed targets as provided for by the Cooperation Agreement.

### 2. Improve the balance and fairness of the overall tax system and prepare a comprehensive tax reform that will allow shifting taxes away from labour towards more growth friendly bases, simplifying the tax system, closing loopholes, increasing VAT efficiency, broadening tax bases, reducing tax expenditures and phasing out environmentally harmful subsidies.

**Limited progress:**
Shifting taxes away from labour: Increase in the ceiling of the lump sum allowance for professional expenses (by EUR 14/month in 2015, repeated in 2016). Tax duties on standard shares were increased from 2.5% to 2.7%, on capitalisation shares from 1% to 1.3%. All excise duties are annually indexed.

**Limited progress:**
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:**
Measures have been taken to reduce the tax wedge on labour through decreases in personal income taxation and social security contributions. Employers’ social security contributions will gradually decrease, from maximum 32.4 % to maximum 25 % for the highest wages between 2016 and 2018, and from 17.3 % to
as of 2015. Additional increases in excise duties are planned for tobacco (2015) and diesel (2016). The Brussels Capital Region has set up a task force to simplify the tax framework and introduce a shift to immovable property taxes.

Simplifying the tax system:
Announced reduction in social security contributions by employers from 33% to 25% through absorption of existing reductions.

Reducing tax expenditures: A number of tax expenditures will not be adjusted for inflation between 2015 up to 2018. The Flemish region reduced the personal income tax reduction for owner-occupied housing.

Phasing out environmentally harmful subsidies: By the automatic annual adjustment of the CO2 baseline emissions for the year 2015, the private use of company cars is taxed slightly higher. Regional governments have announced the introduction of a kilometre-based charge for trucks as of 2016. The Flemish region aims to change the fiscal base for car taxation in line with 'polluter-pays' principle.

Increase in VAT efficiency:
Forthcoming VAT increase to standard rate of 21% for plastic surgery (for non-medical purposes) and for renovations of dwellings less

10.9 % for the lowest wages between 2016 and 2019. These reductions will partly replace existing wage subsidies. Specific reductions for SMEs and self-employed people will be enlarged. There will be cuts in personal income taxation to increase take-home pay and strengthen purchasing power: the ceiling for tax-deductible professional expenses will be raised a second time (to EUR 4 210 from 2016). Income between EUR 8 711 and EUR 12 400, which is currently taxed at 30 %, will be taxed at 25 %. The lower limit of the 45 % tax bracket will be raised, widening the 40 % tax bracket.

To finance this tax shift away from labour, tax bases have been broadened and taxes that distort growth less have been raised. This applies especially to taxes on consumption. The reduced VAT rate for electricity was abolished in September 2015. Excise duties on alcohol, tobacco, diesel and soft drinks will gradually increase between 2016 and 2018. New revenues will also come from increased capital taxation, notably: higher withholding taxes on dividends, interests and royalties; a new speculative transaction tax on short-term capital gains on shares; and the reform of the taxation of real estate investment funds. Regional governments are implementing a system of kilometre-based road charging for heavy duty vehicles. In 2016, the Brussels Capital Region
than 10 years old (instead of 5 years).

abolished the regional poll tax of EUR 89. This will be financed by a 12% rise in recurrent immovable property taxes.

Some tax expenditures have been removed or reduced. The reduced VAT rate for electricity was abolished in September 2015. The Walloon government reformed the deduction for owner-occupied housing and made it more focused on low and middle-income owners. The Brussels Capital Region is to abolish the personal income tax deduction for owner-occupiers with a single home in 2017. Instead, buyers will be entitled to a reduction in registration duties of up to EUR 22 500 for a dwelling they intend to occupy (provided that it is their only one), subject to certain limits.

<table>
<thead>
<tr>
<th>3. Contain future public expenditure growth relating to ageing, in particular from pensions and long-term care, by stepping up efforts to reduce the gap between the effective and statutory retirement age, bringing forward the reduction of early-exit possibilities, promoting active ageing, aligning the retirement age to changes in life expectancy, and improving the cost-effectiveness of public spending on long-term care.</th>
<th>Substantial progress:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Substantial progress</strong> towards reducing the gap between effective and statutory retirement age: Minimum age and career length requirements for early exit through the elderly unemployment benefit system ('unemployment benefits with company top-ups') are tightened progressively with the minimum age increased to 62y since Jan-2015. Transitional rules and exceptions apply for arduous professions, long careers and collective dismissals.</td>
<td></td>
</tr>
</tbody>
</table>
Labour market availability and job search requirements have been extended to all unemployed below the pensionable age (previously 60y) with the exception of unemployed aged 60 at the end of 2014.

Further increases announced in the minimum age and minimum career length for early retirement after 2016 (from 62y to 63y and from 40 to 42career years between 2016 and 2019).

Gradual reform of the civil servant pension scheme planned for 2016, altering the accrual rules so as to extend the average working career.

**Limited progress** to promote active ageing.

The pension bonus for those working beyond the age of 62 has been abolished, reducing the financial incentive to extend the working career.

The time credit system, enabling workers to take a career break while receiving an allowance, has been reformed. While the system of 'unmotivated breaks' has been abolished, the possibility to take up 'motivated time credit' has been extended from 36 to 48 months for childcare, palliative care or to assist a seriously ill member of the household.
Access to ‘end-of-career’ time credit for elderly workers with a career of at least 25 years, will be granted from 60 years of age. Access at the age of 55 remains possible for arduous professions, night work, the construction sector and (anticipatory) collective dismissals.

FL: employment incentive for elderly workers has been refocused on the age group above 55: subsidy no longer applies to workers between 50 and 55 who have been unemployed less than a year.

Some progress to align the retirement age with changes in life expectancy:

Increase announced in statutory retirement age, to 66 in 2025 and 67 in 2030.

Planned reform would introduce a credit-based pension system allowing for automatic adjustment mechanisms in response to demographic and/or economic developments.

<table>
<thead>
<tr>
<th>4. Increase labour market participation, in particular by reducing financial disincentives to work, increasing labour market access for disadvantaged groups such as the young and people with a migrant background, improving professional mobility and addressing skills shortages and mismatches as possible</th>
<th>Some progress:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Some progress</strong> to reduce financial disincentives to work:</td>
<td></td>
</tr>
<tr>
<td>Increase in the ceiling of the lump sum allowance for professional expenses (by EUR 14/month in 2015, repeated in 2016).</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>3. 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.</th>
<th>Some progress:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Incentives to work have been strengthened by several measures to reduce the tax wedge (increased tax credit for low-waged workers and a higher ceiling for tax-deductible professional costs) as well as by parametric reforms of the</td>
<td></td>
</tr>
</tbody>
</table>
well as early school leaving. Across the country, strengthen partnerships of public authorities, public employment services and education institutions to provide early and tailor-made support to the young.

Temporary unemployment benefits are calculated on the basis of 65% of the reference wage (instead of 70% before).

Eligibility requirements for the income top-up for part-time unemployed are tightened and the allowance is reduced. A time limit of 2 years is also envisaged, following which an evaluation is planned.

Seniority top-up for elderly unemployed has been abolished, bar certain exceptions.

Eligibility criteria for insertion allowance are tightened (age ceiling for new entrants lowered from 30y to 25y). Allowance for young unemployed below 21 will become conditional on obtaining a high-school or equivalent alternate learning degree.

Reference wage used to calculate unemployment benefits is altered resulting in a slight decrease in the average allowance.

Tax reduction on unemployment benefits is not indexed during 2015-19.

Fiscal part of the 'work bonus' will be increased in Jan-2016 resulting in higher take home pay for low wage unemployment benefit system affecting part-time workers and elderly unemployed people in particular. Additional measures to reduce the tax wedge have been adopted but have yet to enter into force. Several measures have been taken to gradually reduce social security contributions as of 2016 (see CSR 2).

Working arrangements between Flemish and Brussels regional employment services were strengthened in October 2015. Under the altered cooperation agreement, Flanders (VDAB) will have the authority to organise the entire job mediation trajectory (from training to job placement) for unemployed Brussels residents seeking employment for which knowledge of Dutch is required.

In Flanders, the government has proposed a Draft Decree beginning of 2016 which retains reduced employer social security contributions for low- and middle schooled workers below the age of 25 (subject to a wage ceiling), for workers above the age of 55 and for people with a disability.

In Wallonia, government and social partners have reached agreement on an encompassing reform which refocuses the transferred employment incentive schemes on the activation of benefits...
earners. A second increase is planned in 2019.

The federal government coalition agreement intends to make unemployment benefits for the long-term unemployed conditional on recipients doing two half days of 'community service'. This is to be implemented through a cooperation agreement with the regions.

**Limited progress** to increase labour market access for disadvantaged groups:

The structural reduction in employers' social security contributions (ESSCs) for low-wage earners was increased in Jan-2015 by EUR 14 (to EUR 476.6/quarter) to encourage demand for low-wage labour. Additional increases by the same amount are planned in 2017 and 2019. The wage limit to qualify for these reductions is indexed and increased, extending the target group.

Regions: The sixth state reform transferred competence for granting target group specific reductions in ESSC, allowing regions to better align employment incentives with the differing needs of the regional labour markets.

FL: simplification of the existing system announced, refocusing of young and long-term unemployed and reduced social security contributions for older workers.

The French Community launched in 2015 a major reform of its education system which should address educational inequalities and improve the vocational and training system. A reorganisation in ten geographical areas of the latter has started and the dual learning system was streamlined in September 2015.

The Flemish Community is pursuing its secondary education reform. Key decisions related to vocational and training are yet to be taken. A new action plan to strengthen the fight against early school leaving was adopted early 2016 in parliament. The implementation of the STEM action plan is moving forward.
incentives on young unemployed, unemployed above the age of 55 and people with disabilities.

FL: reform of subsidised service vouchers for domestic and/or proximity services has been tabled. The requirement that at least 60% of those hired must be on unemployment benefit or welfare recipients would be abolished, increasing the barrier for entry to this labour market circuit for the most disadvantaged.

WA: government agreement envisages improving targeted policies aimed at getting young people with low qualifications into the labour market.

**Some progress** towards addressing skills mismatches and early school leaving (see CSR 5 below).

**Limited progress** towards strengthening partnerships between public authorities, public employment services and educational institutions:

BXL: Plans to strengthen partnerships between PES and education/training providers and actors.

FL: Youth Guarantee Implementation Plan will be updated to better integrate education and employment actions.

WA: government agreement envisages conclusion of a 'Pact for employment
5. Restore competitiveness by continuing the reform of the **wage-setting system**, including **wage indexation**, in consultation with the social partners and in accordance with national practice, to ensure that wage evolutions reflect productivity developments at sectorial and/or company levels as well as economic circumstances and to provide for effective automatic corrections when needed; by strengthening competition in the retail sectors, removing excessive restrictions in services, including professional services and addressing the risk of further increases of energy distribution costs; by promoting innovation through streamlined incentive schemes and reduced administrative barriers; and by pursuing coordinated education and training policies addressing the pervasive skills mismatches and regional disparities in early school leaving.

**Some progress:**

**Temporary suspension of all wage indexation agreements until inflation has eroded real wages by 2%**.

**Planned reform of the Law of 1996 announced to operationalize the national 'wage norm' to close by 2019 the wage gap vis-à-vis neighbouring countries that have built up since 1996. The wage norm will be set taking into account actual relative wage developments over the past two years. It will be enshrined in a generally binding collective agreement or Royal Decree, and sanctions for exceeding it will be made more automatic.**

Wage cost reductions already planned have been maintained, though with altered timing: two rounds scheduled for 2015 and 2017 have been combined in 2016; the third round remains planned for 2019. Limited progress towards strengthening competition in the service sector and addressing the problem of distribution costs:

Retail: new draft laws for the regions

---

4. Restore **competitiveness** by ensuring, in consultation with the social partners and in accordance with national practices, that **wages evolve in line with productivity**.

**Limited progress:**

While considerable progress has been made on correcting the historic labour cost gap, progress on revising the wage-setting framework is less tangible. A reform of the Law of 1996 on the national wage-setting framework, announced in the 2014 government agreement, has not been enacted so far. Discussions of the projected reform continue between the social partners.
have been presented (WA/FL) or adopted (BXL), but the measures proposed are insufficient to guarantee that conditions for retailers will be simplified and eased in practice.

Professional services: changes have been introduced for land surveyors (legal person), patent agent (group representation) and accountants (protected title also for employees). However, these changes have little impact on the restrictions applicable to professional services. In addition, other restrictions (shareholding requirements) were introduced at the same time.

Distribution costs: regional regulators adopted tariff methodologies for the period 2015-16. For FL, the new methodology does not solve the issue of the accumulated past costs of the green certificates from 2008-14 when tariffs were frozen. However, it does prevent a rapid build-up of new losses.

**Some progress** in promoting innovation through streamlined incentive schemes and lower administrative barriers:

Federal: planned assessment of the need to increase the wage tax exemption for researchers.

FL: streamline innovation support and increase effectiveness through merger by early 2016 of the Flemish Agency
for Entrepreneurship and the Agency for Innovation by Science and Technology and the integration of the Hercules Foundation (for investment in research infrastructure) within the more encompassing Fund for Scientific Research.

WA: Concentration of Marshall Plan on measures with the highest value added, maximising the commercial benefits of research, job creation and export opportunities.

**Some progress** towards addressing skills mismatches and early school leaving:

Allowance for young unemployed below 21 will become conditional on obtaining a high-school or equivalent alternate learning degree.

French community: entry into force (Sep-2014) of (1) decrees to prevent early school leaving and improve the coordination of education and youth policies; (2) a reform of lower secondary education encompassing action plans at school and possibly at pupil level to tackle low achievement and support pupils with difficulties.

WA: government agreement envisages conclusion of a 'Pact for employment and training' with the social partners. Entry into force planned for: Jan-2016.
FL: Rollout and update of 2013 ‘Action plan against early school leaving’, combining preventive, interventionist and compensation measures. School-level data on ESL to be made available and use of flexible learning pathways in secondary education to be actively promoted. Qualifying vocational education trajectories are to be further developed through cooperation programmes between the regional PES, the regional agency for entrepreneurial training and specific industry sectors and companies.

FL: Additional measures announced to fight early school leaving and skills mismatches: (1) strengthening of work-based learning and its integration into all relevant branches of study, (2) continued actions on STEM, (3) promotion of entrepreneurship and (4) introduction of a new ‘dual’ system of learning and working.

FL: Youth Guarantee Implementation Plan will be updated to better integrate education and employment measures.

BXL: Plans to strengthen partnerships between PES and education/training providers and actors in the framework of the regional ‘Alliance for jobs and training’.

| 6. Ensure that the 2020 targets for reducing greenhouse gas emissions | Limited progress |
from non-ETS activities are met, in particular as regards buildings and transport. Make sure that the contribution of transport is aligned with the objective of reducing road congestion. Agree on a clear distribution of efforts and burdens between the federal and regional entities.

The three regions and the federal government have made no further progress in discussions on how to distribute the effort needed in 2013-20 through an effort-sharing agreement. This should cover the distribution of the non-ETS emissions objective, of the renewable energy objective and of revenues from the auctioning of emission allowances (these are blocked on an account).

A mechanism for increasing regional bodies’ awareness of responsibility for climate protection has started in 2015. This involves determining a multiannual reference trajectory on the reduction of GHG emissions in the residential and tertiary building sector for each region. If a region meets (misses) its assigned objective, it receives a financial bonus (penalty) proportional to its distance to the trajectory. The mechanism would be funded by the (blocked) revenues from the auctioning of emission allowances.

The intention exists to prepare a specific national system for GHG reduction policies, measures and projections, as already exist for GHG inventories.

Important elements of the 'Flemish Climate Policy Plan 2013-2020' are still to be finalised, such as the Flemish Mobility Plan. The Flemish
Climate Fund provides a financial framework for additional climate policy, but will draw on the (blocked) auctioning revenues.

The Walloon region's first 5-year 'plan air-climat-énergie' presenting concrete measures is still under development (the public consultation ended in Sep-2014).

The Brussels region's 'air-climate-energy plan' defining measures and actions is undergoing an environmental impact evaluation before being submitted to public scrutiny.

Policy intentions aimed at reducing congestion are contained in the respective government agreements for 2014-19. The adoption of some of these measures at risk, however. The different regions seem to have conflicting intentions on the introduction of road charging for passenger cars. On the other hand, the kilometre charge for heavy vehicles will be introduced in 2016 in all regions. Several other policy intentions still need to be transposed into concrete measures e.g. infrastructure works around Brussels and Antwerp and encouraging a modal shift by investing in inland waterways.
<table>
<thead>
<tr>
<th>BG</th>
<th>Country Specific Recommendations 2014</th>
<th>Assessment of implementation of CSR 2014 (based on COM staff document)</th>
<th>Country Specific Recommendations 2015</th>
<th>Assessment of implementation of CSR 2015 (based on COM staff document)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Reinforce the budgetary measures for 2014 in the light of the emerging gap relative to the preventive arm of the Stability and Growth Pact requirements. In 2015, strengthen the budgetary strategy to ensure that the medium-term objective is reached and, thereafter, maintained. Ensure the capacity of the new fiscal council to fulfil its mandate. Implement a comprehensive tax strategy to strengthen tax collection, tackle the shadow economy and reduce compliance costs.</td>
<td>No progress (this overall assessment of CSR 1 excludes an assessment of compliance with the Stability and Growth Pact):</td>
<td>1. Avoid a structural deterioration in public finances in 2015 and achieve an adjustment of 0.5% of GDP in 2016. Take decisive measures to improve tax collection and address the shadow economy, based on a comprehensive risk analysis and evaluation of past measures. Improve the cost-effectiveness of the healthcare system, in particular, by reviewing the pricing of healthcare and strengthening outpatient care and primary care.</td>
<td>Some progress (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact):</td>
<td></td>
</tr>
<tr>
<td></td>
<td>No progress was made on establishing a fiscal council. The legal process setting up the fiscal council and defining the ‘correction mechanism’ has been postponed to 2015.</td>
<td>Limited progress on legislation to improve tax collection and reduce tax compliance costs. The measures taken to fight tax evasion do not address the issues comprehensively. There is no comprehensive strategy addressing tax collection, as drafts are still under discussion.</td>
<td>Some progress in addressing the part of CSR1 on tax collection. Bulgaria made stricter the control requirements for excise goods, collected more revenues from excise duties and signed agreements to broaden exchange of tax information. Nevertheless voluntary tax compliance remained a problem, including the time to comply with tax legislation. Bulgaria adopted a Single Tax Compliance Strategy indicating a more holistic tax policy approach but the Strategy lacks assessment of previous anti-fraud measures and a comprehensive risk analysis which identifies the most important tax collection shortages.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Limited progress on legislation to improve tax collection and reduce tax compliance costs.</td>
<td>Some progress in addressing CSR1 in the part on healthcare. The Bulgarian government made the National Health Map mandatory for the signing of contracts between the National Health Insurance Fund and hospitals. This is expected to improve the efficiency of spending in healthcare; however the Map is expected to be used as from</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

17
| **2.** Adopt a long-term strategy for the pension system, proceeding with the planned annual increase in the statutory retirement age and setting out a mechanism to link the statutory retirement age to life expectancy in the long term, while phasing out early retirement options and equalising the statutory retirement age for men and women. Tighten eligibility criteria and procedures for the allocation of invalidity pensions, for example by taking better account of the remaining work capacity of applicants. Ensure cost effective provision of healthcare including by improving the pricing of healthcare services while linking hospitals' financing to outcomes, accelerating the optimisation of the hospital network and developing outpatient care. | **No progress:**
Some measures reverse the earlier reform, including freezing the annual increase in pensionable age and reintroducing early retirement options.

**No progress** was made on linking the retirement age with life expectancy and equalising the retirement age for men and women.

No effective change was made to eligibility criteria and checks on the allocation of invalidity pensions.

**Limited progress** was made on ensuring cost effective provision of healthcare and improving the pricing of healthcare services. The National Healthcare Strategy 2014-20 has been approved but it lacks a clear implementation timeframe. Work on improving transparency in hospital financing was only begun in late 2014. | **April 2016, therefore results of its implementation are to be seen in coming months at the earliest. 25 out of 3,000 hospital procedures will soon be authorised to be provided in outpatient facilities. This may lower costs of health care system's functioning and be a first step of putting more emphasis on ambulatory care.** |
3. Improve the **efficiency of the Employment Agency** by developing a performance monitoring system and better targeting the most vulnerable, such as low-skilled and elderly workers, the long-term unemployed and Roma. Extend the coverage and effectiveness of active labour market policies to match the profiles of jobseekers, and reach out to non-registered young people who are not in employment, education or training, in line with the objectives of a youth guarantee. Improve the effective coverage of unemployment benefits and social assistance and their links with activation measures. Take forward the comprehensive review of **minimum thresholds for social security contributions** so as to make sure that the system does not price the low-skilled out of the labour market. Establish, in consultation with social partners, transparent guidelines for the adjustment of the statutory minimum wages taking into account the impact on employment and competitiveness. In order to **alleviate poverty**, further improve the accessibility and effectiveness of social services and transfers for children and older people.

<table>
<thead>
<tr>
<th>Limited progress:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Limited progress</strong> was made on improving the efficiency of the Employment Agency and better targeting support for the most vulnerable. A performance monitoring system is being developed.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Limited progress:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Limited progress</strong> was made on extending the coverage and effectiveness of active labour market policies to match the profiles of jobseekers, as policies are still not well targeted.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Limited progress:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Limited progress</strong> was made on reaching out to nonregistered NEETs. Mechanisms to monitor and evaluate the Youth Guarantee remain weak.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Limited progress:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Limited progress</strong> was made on improving the effective coverage of unemployment benefits and social assistance and their links with activation measures. A project on developing integrated services is planned, but no concrete steps have been taken.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Limited progress:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Some action</strong> was taken to analyse the impact of increases in minimum thresholds, but with unclear conclusions and policy follow-up.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Limited progress:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>No progress</strong> was made on drawing up transparent guidelines for minimum wage setting.</td>
</tr>
</tbody>
</table>

3. Develop an integrated approach for groups at the margin of the labour market, in particular older workers and young people not in employment, education or training. In consultation with the social partners and in accordance with national practices, establish a transparent mechanism for setting the minimum wage and minimum social security contributions in the light of their impact on in-work poverty, job creation and competitiveness.

<table>
<thead>
<tr>
<th>Limited progress:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Limited progress</strong> in developing an integrated approach for groups at the margin of the labour market. The Public Employment Services are hiring youth mediators to reach and activate youth NEETs. The overall effect of the measure is still limited. In the first nine months of 2015, 71 000 individual plans for youth registered with the PES were prepared. From September 2014 to September 2015, 43 000 people over 50 years old started work on the primary market, additional 16 000 started subsidised employment.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Limited progress:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Limited progress</strong> in the part on minimum wage and minimum social security thresholds. The government plans to establish the criteria for the mechanism for setting up minimum wages towards the end of 2016. Minimum wages per economic sectors should start being negotiated between the social partners from 2017.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Limited progress:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Limited progress</strong> in drawing up transparent guidelines for minimum wage setting.</td>
</tr>
</tbody>
</table>
### Progress was limited on improving the accessibility and effectiveness of social transfers and services for children and older people.

**Limited progress**

No progress was made on the School Education Act as its approval has been postponed again.

Some progress was made on pursuing reform of higher education. A strategy in this area has been prepared and is being discussed in the National Assembly. Measures have been undertaken to improve forecasts of labour market needs and better link university accreditation and financing to performance.

Some progress was made on reform of vocational education and training (VET), with the adoption of a strategy, work to adapt VET to the needs of the labour market, in cooperation with employers and a review of legislation on internships.

Limited progress was made on improving access to lifelong learning.

Limited progress was made on improving access to inclusive education for disadvantaged children, in particular Roma, and on effective implementation of the rules linking the payment of child allowance to participation in education.

### 4. Adopt the School Education Act and pursue the reforms of vocational and higher education in order to increase the level and relevance of skills acquired at all levels, while fostering partnerships between educational institutions and business with a view to better aligning outcomes to labour market needs. Strengthen the quality of vocational education and training institutions and improve access to lifelong learning. Step up efforts to improve access to quality inclusive pre-school and school education of disadvantaged children, in particular Roma, and implement strictly the rules linking the payment of child allowance to participation in education.

**Some progress:**

Substantial progress in addressing CSR4 in the part on the adoption of the School Education Act. The School Education Act was adopted in October 2015. All the subsequent educational standards are planned to be designed and adopted by August 2016.

Limited progress addressing CSR4 in the part on improving access to good-quality early schooling for disadvantaged children.
| 5. Continue to improve the business environment, in particular for small and medium-sized enterprises. by cutting red tape, promoting e-government, streamlining insolvency procedures and implementing the legislation on late payments. Improve the public procurement system by enhancing administrative capacity, strengthening the ex ante checks performed by the Public Procurement Agency and taking concrete steps for the implementation of e-procurement. Enhance the quality and independence of the judiciary and step up the fight against corruption. | **Limited progress:** | 5. With a view to improving the investment climate, prepare a comprehensive reform of the insolvency framework drawing on international best practice and expertise, in particular to improve mechanisms for pre-insolvency and out-of-court restructuring. | **Limited progress:** |

| Limited progress was made on reducing the administrative burden with a few measures being implemented and many more in the pipeline. Foreign trade procedures and the ease of paying taxes show some improvements. **Limited progress** was made on the introduction of e-government. An updated e-government strategy for 2014-20 was adopted in March 2014. Bulgaria started a broadband deployment project aiming to provide the necessary infrastructure to be used by government institutions. **No progress** was made on the reform of insolvency procedures. **Some progress** was made on the Late Payments Directive — it has been transposed into national law. Its impact on business operation remains to be seen. **Limited progress** was made on improving the quality and independence of judiciary, confirmed by the 2015 CVM report. The strategy for reforming the judiciary has been updated but not yet implemented. **No progress** was made on the fight... |  | **Limited progress** in improving the mechanisms for pre-insolvency and out-of-court restructuring. |
against corruption. Some limited steps have been taken by the prosecution, but major challenges remain and on the preventive side no progress has been made. A comprehensive National Strategy aiming at the reform of the public procurement sector was adopted. Its measures, addressing systemic shortcomings, are being implemented.

<table>
<thead>
<tr>
<th>6. Scale up the reform of the energy sector in order to increase competition, market efficiency and transparency, and energy efficiency, in particular by removing market barriers, reducing the weight of the regulated segment, stepping up efforts for the creation of a transparent wholesale market for electricity and gas, phasing out quotas, and strengthening the independence and administrative capacity of the energy regulator. Accelerate interconnector projects with neighbouring Member States and candidate countries, in particular for gas, and enhance the capacity to cope with disruptions.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Limited progress:</strong></td>
</tr>
<tr>
<td><strong>Limited progress</strong> was made on setting up transparent wholesale markets and on enabling competition at retail level. Bulgaria transposed the missing elements of the ‘Third Package’ electricity and gas directives and unbundled the system operator in the power sector.</td>
</tr>
<tr>
<td><strong>Limited progress</strong> was made on setting up an energy exchange. Limited progress was made on strengthening the independence and effectiveness of regulation. Administrative capacity is insufficient and staff turnover is high.</td>
</tr>
<tr>
<td><strong>Limited progress</strong> was made on accelerating electricity and gas interconnector projects.</td>
</tr>
<tr>
<td>2. By December 2015, complete a system-wide independent asset-quality review and a bottom-up stress test of the banking sector, in close cooperation with European bodies. Perform a portfolio screening for the pension funds and insurance sectors. Review and fortify banking and non-banking financial sector supervision, including by strengthening the bank-resolution and deposit-guarantee frameworks. Improve corporate governance in financial intermediaries, including by tackling concentration risk and related-party exposures.</td>
</tr>
<tr>
<td><strong>Some progress:</strong></td>
</tr>
<tr>
<td><strong>Some progress</strong> in completing a system-wide asset quality review and stress test of the banking sector. A contract has been signed with an independent consultant to assist the central bank in conducting the exercise and the review of the quality of the banks’ assets has been launched.</td>
</tr>
<tr>
<td><strong>Limited progress</strong> in performing a portfolio screening for the pension funds and insurance sectors. A contract with an independent consultant should be signed as soon as possible in order to prepare the methodology and launch the technical part of the exercise.</td>
</tr>
<tr>
<td><strong>Some progress</strong> in fortifying banking supervision, while strengthening corporate governance and tackling concentration risk and related-party exposures. In particular, a plan to reform and develop banking supervision has been published,</td>
</tr>
</tbody>
</table>
building on recommendations by the IMF and the World Bank, and is being implemented. Moreover, the authorities have introduced legislation to transpose the Bank Recovery and Resolution Directive and the Deposit Guarantee Schemes Directive into national law.

Limited progress in tackling concentration risk and related-party exposures in the non-banking financial sector. The reviews of both bank and non-bank financial intermediaries should be performed in a way that is useful for the identification of such practices. This will allow the authorities to make the necessary adjustments to both the relevant legislation and supervisory practices.
<table>
<thead>
<tr>
<th>Country Specific Recommendations 2014</th>
<th>Assessment of implementation of CSR 2014 (based on COM staff document)</th>
<th>Country Specific Recommendations 2015</th>
<th>Assessment of implementation of CSR 2015 (based on COM staff document)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Following the correction of the excessive deficit, preserve a sound fiscal position in 2014. Significantly strengthen the budgetary strategy in 2015 to ensure that the medium-term objective is achieved and remain at the medium-term objective thereafter. Prioritise growth-enhancing expenditure to support the recovery and improve growth prospects. Adopt and implement measures to strengthen the fiscal framework, and in particular establish an independent fiscal institution to monitor fiscal policies, introduce fiscal rules for local and regional governments and improve coordination between all layers of government.</td>
<td>Some progress (this overall assessment of CSR 1 excludes an assessment of compliance with the Stability and Growth Pact): Some progress has been made in prioritising growth-enhancing expenditure to support the recovery and improve growth prospects. Public investment is expected to increase significantly in 2014 and 2015 as a result of a higher absorption of EU funds. Some progress has been made in the preparation for adoption and implementation of measures aimed at strengthening the fiscal framework. A comprehensive reform of the fiscal framework is expected to be adopted in 2015.</td>
<td>1. Achieve a fiscal adjustment of 0.5% of GDP in 2016. Further improve the cost-effectiveness and governance of the healthcare sector. Some progress:</td>
<td>Some progress: has been made in improving the cost-effectiveness and governance of the healthcare sector. Several measures are currently at various stages of implementation. These include projects aimed at improving the efficiency of the reimbursement system in hospitals and the transformation of selected public hospitals into non-profit entities.</td>
</tr>
<tr>
<td>2. Improve tax compliance with a particular focus on VAT and reduce the costs of collecting and paying taxes by simplifying the tax system and harmonising the tax bases for personal income tax and social and health contributions. Reduce the high level of taxation on labour, particularly for low-income earners. Shift taxation to areas less detrimental to growth, such as recurrent taxes on housing and environmental taxes.</td>
<td>Limited progress: Some progress has been made in improving tax compliance with a particular focus on VAT. Several measures have been put in place in 2015 and others are in the pipeline for 2016. No progress has been made in reducing the costs of collecting and paying taxes.</td>
<td>2. Fight tax evasion, simplify the tax system and implement the anti-corruption plan. Take measures to increase the transparency and efficiency of public procurement, in particular by establishing a central register of public contracts and strengthening guidance and supervision. 3. Reduce the high level of taxation levied on low-income earners, by</td>
<td>Some progress: Some progress has been made in fighting tax evasion, with a particular focus on VAT. Starting in 2016, the VAT control statement was introduced while the evidence of electronic sales was adopted by the Chamber of Deputies in February 2016. No progress has been made in simplifying the tax system.</td>
</tr>
</tbody>
</table>
Further reduce discrepancies in the tax treatment of employees and the self-employed.

**No progress** has been made in shifting taxation to areas less detrimental to growth, such as recurrent taxes on housing and environmental taxes.

**Limited progress** has been made in reducing the high level of taxation on labour, particularly for low-income earners and in further reducing discrepancies in the tax treatment of employees and the self-employed.

shifting taxation to other areas. Further improve the availability of affordable childcare.

**Some progress** has been made in implementing the anti-corruption plan. Acts on the conflict of interest and on regulating the financing of political parties are, as of February 2016, subject to discussion in the Parliament.

**Some progress** has been made in increasing the transparency and efficiency of public procurement. A central register of public contracts has been set up, but guidance and supervision for public buyers have not been improved.

Limited progress: No progress has been made in accelerating the increase of the statutory retirement age and in reviewing the pension indexation mechanism.

**Some progress** has been made in linking the statutory retirement age more clearly to changes in life expectancy.

**Some progress** has been made in promoting the employability of older workers.

**Limited progress** has been made in taking measures to improve significantly the cost-effectiveness and governance of the healthcare sector, in particular for hospital care.

3. Ensure the long-term sustainability of the public pension scheme, in particular by accelerating the increase of the statutory retirement age and then by linking it more clearly to changes in life expectancy. Promote the employability of older workers and review the pension indexation mechanism. Take measures to improve significantly the cost-effectiveness and governance of the healthcare sector, in particular for hospital care.

**Limited progress:**

No progress has been made in accelerating the increase of the statutory retirement age and in reviewing the pension indexation mechanism.

**Some progress** has been made in linking the statutory retirement age more clearly to changes in life expectancy.

**Some progress** has been made in promoting the employability of older workers.

**Limited progress** has been made in taking measures to improve significantly the cost-effectiveness and governance of the healthcare sector, in particular for hospital care.

See CSR 1.

**Limited progress:**

**Limited progress** has been made in reducing the high level of taxation levied on low-income earners, by shifting taxation to other areas. A proposed amendment concerning tax credits for parents is likely to reduce the level of taxation. However, it does not directly target the low-income earners, as recommended.

**Some progress** has been made in further improving the availability of affordable childcare. Under the Act on Child Groups, 61 groups had been registered by November 2015. The Education Act was amended in September 2015 introducing an obligatory year of pre-school education. The right to a place in kindergarten will be given to 4-year-old children from the 2017/2018.
4. **Strengthen the efficiency and effectiveness of the public employment service**, in particular by setting up a performance measurement system. Increase participation of unemployed youth in individualised services. Increase considerably the availability of **affordable and quality childcare facilities and services**, with a focus on children up to three years old.

Some Progress:

**Some progress** has been made in strengthening the efficiency and effectiveness of the public employment service, with an increase in personnel capacity and funding for active labour-market policies; no progress has been made on setting up a performance measurement system.

**Some progress** has been made on increasing participation of unemployed youth in individualised services, with positive steps taken under the Youth Guarantee in 2014.

**Some progress** has been made on increasing considerably the availability of affordable and quality childcare facilities and services, with a focus on children up to three years old, through the adoption

5. Ensure that the accreditation, governance and financing of higher education contribute to improving its quality and labour market relevance. Accelerate the development and introduction of a new methodology for evaluating research and allocating funding in view of increasing the share of performance-based funding of research institutions. In compulsory education, make the teaching profession more attractive, implement

**Limited progress**

**Limited progress** has been made in ensuring that the accreditation, governance and financing of higher education contribute to improving its quality and labour market relevance as the draft amendment to the Higher Education Act are still in the legislative process.

**Limited progress** has been made in adopting 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**:

**Substantial progress** has been made in adopting the higher education reform. The higher education reform was adopted by the Chamber of Deputies in January 2016.

**Limited progress** has been made in ensuring adequate training for teachers, supporting poorly performing schools and taking
a comprehensive evaluation framework and support schools and pupils with poor outcomes. Increase the inclusiveness of education, in particular by promoting the participation of socially disadvantaged and Roma children in particular in early childhood education.

accelerating the development and introduction of a new methodology for evaluating research and allocating funding in view of increasing the share of performance-based funding of research institutions.

Some progress has been made in making the teaching profession more attractive, including an increase in pay in 2014.

Limited progress has been made in implementing a comprehensive evaluation framework and support schools and pupils with poor outcomes.

Limited progress has been made in increasing the inclusiveness of education, in particular by promoting the participation of socially disadvantaged and Roma children in early childhood education, despite the government's adoption of a comprehensive strategy for education.

6. Accelerate the reform of regulated professions, focusing on the removal of unjustified and disproportionate requirements. Step up the efforts to improve energy efficiency in the economy.

Limited progress:

Limited progress has been made in accelerating the reform of regulated professions, focusing on the removal of unjustified and disproportionate requirements.

Some progress has been made in stepping up the efforts to improve energy efficiency in the economy.

measures to increase participation among disadvantaged children, including Roma, in mainstream education. The Long-Term Plan for Education 2015-2020 and the Action Plan for Inclusive Education 2016-2018 envisage support and standards for teachers. A new career system for teachers is being developed, although its implementation has been postponed.
7. In 2014, adopt and implement a Civil Service Act that will ensure a stable, efficient and professional state administration service. Speed up and substantially reinforce the fight against corruption by implementing the remaining legislative measures provided for in the anti-corruption strategy for 2013-2014 and by developing plans for the next period. Further improve the management of EU funds by simplifying implementing structures, improving capacity and tackling conflicts of interest. Increase transparency of public procurement and improve the implementation of public tenders by providing appropriate guidance and supervision.

<table>
<thead>
<tr>
<th>Limited progress:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Some progress</strong> has been made in ensuring a stable, efficient and professional state administration service due to the adoption of the Civil Service Act, although key elements of this legislation still need to be elaborated.</td>
</tr>
<tr>
<td><strong>Limited progress</strong> has been made is speeding up and substantially reinforcing the fight against corruption, despite the adoption of a new action plan.</td>
</tr>
<tr>
<td><strong>Some progress</strong> has been made in further improving the management of EU funds but conflicts of interest remains unaddressed.</td>
</tr>
<tr>
<td><strong>No progress</strong> has been made in increasing transparency of public procurement.</td>
</tr>
<tr>
<td><strong>Limited progress</strong> has been made in improving the implementation of public tenders by providing appropriate guidance and supervision.</td>
</tr>
<tr>
<td>Country Specific Recommendations 2014</td>
</tr>
<tr>
<td>---------------------------------------</td>
</tr>
<tr>
<td>SGP: CSR 1 and MIP: -</td>
</tr>
<tr>
<td><strong>1.</strong> Following the <strong>correction of the excessive deficit</strong>, continue to pursue a growth-friendly fiscal policy and preserve a sound fiscal position, ensuring that the medium-term budgetary objective continues to be adhered to throughout the period covered by the Convergence Programme.</td>
</tr>
</tbody>
</table>

| **2.** Take further measures to improve the employability of people at the margins of the labour market. Improve educational outcomes, in particular for young people with a migrant background, and the effectiveness of vocational training. Facilitate the transition from education to the labour market, including through a wider use of work-based training and apprenticeships. | **Some progress:** In relation to taking further measures to improve the employability of people at the margins of the labour market and the key challenge of labour marked supply, Denmark made some progress. But as the number of people living in jobless households show, implementation and showing actual results are still work-in-progress. Denmark made some progress regarding the recommendation to improve educational outcomes, in particular for young people with a migrant background. It remains a challenge to increase the participation rate of migrant children in pre-school education so that it can prevent drop-outs and improve their language skills. Also, Denmark made some progress in reforming and improving the effectiveness of vocational training. | | |
and to facilitate the transition from education to the labour market, including through a wider use of work-based training and apprenticeships, even if it is likely to be 2017-18 before more tangible results of the reform will begin to show.

3. Increase efforts to **remove barriers to entry and reduce regulatory burden** with a view to increasing competition in the domestic services sector, in particular in retail and construction, as recommended by the Productivity Commission.

<table>
<thead>
<tr>
<th>Limited progress</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>No progress</strong> was made in addressing the lack of competition in retail. The recent government growth package included no measures on retail. <strong>Limited progress</strong> was made in addressing the lack of competition in construction. Denmark has reported progress in the field of electricity, plumbing and heating, sewerage installations and gas where European standards now are accepted and more flexible authorisations for craftsmen have been introduced. The new Danish strategy on construction includes positive reforms such as the simplification of rules in the sector, streamlining the technical elements of building applications and reducing decision-reaching times. It also intends to continue to introduce European and international standards, replacing national ones. However, no subsequent measures have been announced yet and tangible results are yet to be seen.</td>
</tr>
</tbody>
</table>

2. Enhance productivity, in particular in the services sectors oriented towards the domestic market, including retail and construction. Ease the restrictions on retail establishments and take further measures to remove remaining barriers posed by authorisation and certification schemes in the construction sector.

<table>
<thead>
<tr>
<th>Limited progress</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Limited progress</strong> was made on easing restrictions on retail establishment. The government published a new Growth and Development Strategy in November 2015, in which it proposed to liberalise the planning framework. The proposal is currently being negotiated. If adopted as proposed, the measures would significantly improve establishment conditions. However, they would not provide the possibility to establish significantly larger grocery stores than at present. This may constitute a barrier to entry, in particular for certain retailers from other Member States. <strong>Limited progress</strong> was made on removing the remaining barriers posed by authorisation and certification schemes in the construction sector. The initiatives presented in the 2014 strategy document ‘Towards a stronger construction sector in Denmark’ represent a step in the right direction.</td>
</tr>
</tbody>
</table>
remain to be seen.

direction, in particular the undertaking to review construction legislation and map existing national standards to see if they can be replaced by international standards. However, the impact of the strategy remains to be seen and no other reforms have been reported subsequently.
1. Pursue growth-friendly fiscal policy and preserve a sound fiscal position, ensuring that the medium-term budgetary objective continues to be adhered to throughout the period covered by the Stability Programme and that the general government debt ratio remains on a sustained downward path. In particular, use the available scope for increased and more efficient public investment in infrastructure, education and research. Improve the efficiency of the tax system, in particular by broadening the tax base, in particular on consumption, by reassessing the municipal real estate tax base, by improving the tax administration and by reviewing the local trade tax, also with a view to foster private investment. Make additional efforts to increase the cost-effectiveness of public spending on healthcare and long-term care. Ensure the sustainability of the public pension system by (i) changing the financing of new non-insurance/extraneous benefits ("Mütterrente") to funding from tax revenues, also in order to avoid a further increase of social security contributions, (ii) increasing incentives for later retirement, and (iii) increasing the efficiency of the tax system.

Limited progress in raising education spending and some progress in increasing research spending. The federal government has increased expenditure on education and research, but the share of public spending on education as a proportion of GDP is still below EU average and total expenditure on education and research may fall short of the national target of 10% of GDP by 2015.

No progress in improving the efficiency of the tax system.

Some progress in increasing the cost-effectiveness of public spending on healthcare and long-term care. An independent Institute for Quality Control and Transparency in Healthcare has been set up and the main features of a hospital care reform outlined. The use of outpatient care has increased.

Limited progress (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact):

Some progress in increasing public investment in infrastructure, including an additional EUR 10 billion for infrastructure investment recently announced for the period 2016–18.

Limited progress in increasing public investment in infrastructure. While so far no sustainable upward trend in public investment could be observed, the federal government has adopted several measures to increase infrastructure investment in the years to come. However, these extra funds still appear insufficient to meet the infrastructure investment gap.

Limited progress in increasing public investment in education. Despite more spending at federal level, expenditure on education as a proportion of GDP at the level of general government has remained stable in recent years and well below the EU average. Overall public and private education and research expenditure has only slightly increased in recent years and may have fallen short of the national target of 10% of GDP.

Limited progress in increasing public investment in research. Public expenditure on research and development remained stable at
coverage in second and third pillar pension schemes. Complete the implementation of the debt brake consistently across all Länder, ensuring that monitoring procedures and correction mechanisms are timely and relevant. Improve the design of fiscal relations between the federation, Länder and municipalities also with a view to ensuring adequate public investment at all levels of government.

<table>
<thead>
<tr>
<th>Benefits and services in long-term care have been promoted.</th>
<th>No measures have been taken to better safeguard the sustainability of the pension system following the 2014 pension reform.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Some progress in completing the implementation of the ‘debt brake’. One more Land has amended its constitution and another one further specified implementing rules.</td>
<td>Limited progress in improving the design of fiscal relations between the federal government, the federal states and the municipalities. Preparatory steps towards a comprehensive reform have been taken.</td>
</tr>
</tbody>
</table>

2. **Limited progress** in improving conditions that further support domestic demand, inter alia by **Reducing high taxes and social security contributions**, especially for low-wage earners. When implementing the general minimum wage, monitor its impact on employment. Improve the employability of workers by further raising the educational achievement of disadvantaged people and by implementing more ambitious activation and integration measures in the labour market, especially for the long-term unemployed. Take measures to **Reduce fiscal disincentives to work**, in particular for second earners, and facilitate the transition from mini-

| Limited progress in reducing the high tax wedge, especially for low-wage earners. The reduction in the pension contribution rate by 0.2 pp. was more than offset by an increase of 0.3 pp. in the contribution rate for long-term care. Moreover, the Act to enhance financial structures and quality in statutory health insurance reduced the contribution rate for employees from 8.2 % to 7.3 %, but also allows individual health insurers to raise extra, income based premiums from employees, and it appears that for many insured people the total contribution rate has remained unchanged. The federal government | around 0.8 % of GDP in recent years, and total public and private expenditure at around 2.8 % of GDP. The federal government has budgeted further increases in research spending. |

| Limited progress in increasing incentives for later retirement. There are proposals to improve incentives for later retirement (Flexi-Rente), but they have not been formalised yet. It remains to be assessed how effective these proposals can be in counteracting the incentives for early retirement introduced in 2014. | Limited progress in reducing labour taxation and fiscal drag. The positive impact on households’ incomes and consumption from the slight increase in minimum income tax allowances and compensation of fiscal drag might be largely offset by higher social |
jobs to forms of employment subject to full mandatory social security contributions. Address regional shortages in the availability of **fulltime childcare facilities and all-day schools** while improving their overall educational quality.

announced plans to reduce the impact of fiscal drag in the current legislative period. On the other hand, the recent increase in the minimum income tax allowance results from existing law and is not considered a new policy measure.

**Some progress** towards monitoring the minimum wage. The minimum wage law requires continuous assessment of its impact and a global assessment of the law in 2020.

**Limited progress** in improving the educational achievement of disadvantaged people. The federal government launched a programme in 2014 to support the quality of teacher training (**Qualitätsinitiative Lehrerbildung**). Early testing of German language competence is being encouraged at pre-primary level in some federal states. Germany is making efforts to promote the inclusion of disabled students in mainstream education.

**Limited progress** in implementing more ambitious activation and integration measures. The Federal Ministry of Labour and Social Affairs announced in 2014 an initiative aimed to reducing long-term unemployment (‘**Chancen eröffnen – soziale Teilhabe sichern. Konzept zum Abbau der Langzeitarbeitslosigkeit**’). This is a step in the right direction, but might

contributions from employees.

**No progress** revising the fiscal treatment of mini-jobs to facilitate the transition to other forms of employment. There has been transition to other forms of employment as a by-product of introducing the minimum wage. Standard employment has also been made less costly to businesses. The fiscal treatment of mini-jobs has not been revised.
not be sufficient to improve individualised support. Germany has not assessed the effectiveness of the 2011 reform of active labour instruments.

**No progress** in addressing fiscal disincentives to work for second earners.

**No progress** in taking measures to facilitate the transition from non-standard employment such as mini-jobs to more sustainable forms of employment subject to full mandatory social security contributions.

**Substantial progress** in increasing the availability of childcare facilities. The quantity of childcare facilities has grown rapidly, but regional bottlenecks and quality concerns remain. Additional funds for investment in childcare are planned. The federal government, federal state governments and municipalities have recently agreed on an overall approach to address quality issues.

**Some progress** in increasing the availability of all-day schools. Annual expansion slowed in 2009–2012 compared with the previous years and there are important regional differences. Some federal states have launched measures aimed at improving the quality of all-day schools. However a comprehensive national and federal approach is
3. Keep the overall costs of transforming the energy system to a minimum. In particular, monitor the impact of the Renewable Energy Act reform on the cost-effectiveness of the support system for renewable energies. Reinforce efforts to accelerate the expansion of the national and cross-border electricity and gas networks. Step up close energy policy coordination with neighbouring countries.

**Some progress:**

**Some progress** in keeping the overall costs of transforming the energy system to a minimum.

**Substantial progress** as regards the support system for renewables. The reform of the Renewable Energy Act (EEG) curbs the cost increases associated with the renewable support system, controls the expansion of renewables, initialises market integration and stabilises the cost contribution of industrial consumers. The increased use of competitive bidding for supporting renewable energy sources may result in further progress.

**Limited progress** in electricity network development. The planning of projects to eliminate internal bottlenecks for electricity transmission has begun, but these are still at the development or permitting stage and face regional public opposition.

**Some progress** in policy coordination with neighbouring countries. Regular roundtable discussions on regional cooperation to promote the security of the electricity supply and renewable energies have been set up. A Green Paper on electricity market design...
4. Take more ambitious measures to further stimulate competition in the services sector, including certain professional services, also by reviewing existing regulatory approaches and converging towards best practices across Länderr. Identify the reasons behind the low value of public contracts open to procurement under EU legislation. Increase efforts to remove unjustified planning regulations which restrict new entries in the retail sector. Take action to remove the remaining barriers to competition in the railway markets. Pursue consolidation efforts in the Landesbanken sector, including by improving the governance framework.

**Limited progress**

**Limited progress** as regards stimulating competition in the services sector. Germany is participating in the mutual evaluation exercise provided for in the Directive amending the Professional Qualifications Directive. However, no major changes can be expected before the end of that exercise or before the deadline for submission of the national action plan, which is expected to be in the second quarter of 2015. On legal form and shareholding restrictions, limited changes are underway in some federal states, but there is still no broad review of such restrictions.

**Limited progress** in identifying the reasons behind the low value of public contracts open to procurement under EU legislation. The Federal Ministry for Economic Affairs and Energy presented an interim report of a statistical study aimed to build a statistical database and sent circulars on the use of the urgency procedure.

**No progress** as regards restrictions in retail.

**Limited progress** in improving

3. Take more ambitious measures to stimulate competition in the services sector, in particular in professional services, by eliminating unjustified restrictions such as legal form and shareholding requirements and fixed tariffs. To this end, conclude the ongoing domestic review of these barriers and take follow-up measures. Remove the remaining barriers to competition in the railway markets, in particular in long-distance rail passenger transport.

**Limited progress** in eliminating unjustified restrictions in professional services. Germany has agreed to abolish mandatory fixed tariffs for tax advisers. The action plan submitted by Germany as a result of mutual evaluation on access and practise requirements for regulated professions announces a limited number of actions for certain professions.

**No progress** in removing the remaining barriers to competition in the railway markets. Directive 2012/34/EU establishing a single European railway area will be transposed in 2016 but changes in track access charges will be introduced only in 2017 or later.
competition in the railway markets. Germany has announced the preparation of a new proposal to transpose Directive 2012/34/EU in 2015 (Recast of the First Railway Package). The federal government and Deutsche Bahn AG have signed a new infrastructure financing agreement.

**No progress** in pursuing consolidation efforts in the *Landesbanken* sector.
### Country Specific Recommendations 2014
**SGP: CSR 1 and MIP: -**

1. **Reinforce the budgetary measures** for 2014 in the light of the emerging gap of 0.3% of GDP based on the Commission services 2014 spring forecast, pointing to a risk of significant deviation relative to the preventive arm of the Stability and Growth Pact requirements. In 2015, significantly **strengthen the budgetary strategy to ensure that the medium-term objective is reached** and, thereafter, maintained. Complement the budget rule with more binding multi-annual expenditure rules within the medium-term budgetary framework and continue to enhance the efficiency of public spending.

### Assessment of implementation of CSR 2014
(based on COM staff document)

**Limited progress** (this overall assessment of CSR 1 excludes an assessment of compliance with the Stability and Growth Pact): **Considerable improvement** in the fiscal framework in general: Estonia’s strengthened fiscal framework has become fully operational in 2014.

**No progress** on addressing the recommendation related to the fiscal framework: no measures were taken to complement the budget rule with more binding multiannual expenditure rules.

### Country Specific Recommendations 2015
**SGP: CSR 1 and MIP: -**

1. **Avoid deviating from the medium-term budgetary objective in 2015 and 2016.**

### Assessment of implementation of CSR 2015
(based on COM staff document)

CSRs related to compliance with the Stability and Growth Pact will be assessed in spring once the final data will be available.

### 2. Improve incentives to work

- **Some progress:**
  - **Some progress** on incentives to work for low-income earners. The unemployment insurance contribution has been lowered and the minimum wage has been increased. However, the increase in the basic personal income tax allowance from EUR 144 to EUR 154 a month only compensates for the average wage increase.
  - **Some progress** with the adoption of

### 2. Improve labour market participation, including by implementing the Work Ability Reform.

- **Some progress** in improving labour market participation, including by implementing the Work Ability Reform as the Work Ability reform was enforced from January 1st, 2016 by providing active labour market services. With the entry into force of the Work Ability Allowance Act from July 1st assessment according to the new methodology will start and work ability allowances paid out. However, the new system will be fully
the work capacity reform package in November. The main acts adopted are as follows: the Work Capacity Benefit Act, amendments to the Social Welfare Act and the Labour Market Services and Benefits Act, and other acts. However, substantial efforts are required during 2015 to ensure successful implementation from January 2016.

Some progress on family policy and childcare availability. Changes to the Parental Benefit Act increased flexibility as of 2014. Additional benefits for families with children have been introduced (increase in child benefits, doubling of means-tested family allowance to low-income families, higher weighing of children when granting subsistence benefits). Amendments to the Pre-School Act adopted by parliament in November were made, with the aim of improving the availability of childcare for children from 1.5 to 3 years old. A Green Paper on Family Support and Services was submitted for public consultation in January. The Operational Programme for Cohesion Policy Funds adopted in December 2014 foresees the creation of 2000 additional nursery and childcare places with ERDF funding in the urban areas of Tallinn, Tartu and Pärnu by 2023.

Limited progress on fostering development and entrepreneurship in operational only from January 2017 when the re-assessments start.

Some progress in improving incentives to work for low-income earners, as Estonia has adopted a series of measures increasing the minimum wage and reducing labour taxation. However, overall, the tax measures adopted appear to act only on a relatively narrow range of incomes and their positive impact is expected to fade out relatively soon in a context of still relatively rapid wage increases. Finally, the tax refund for low-income earners gives rise to rather high effective marginal tax rates for incomes between EUR 480 and EUR 649 per month and risks providing disincentives in this part of the income distribution.

Limited progress in reducing the gender pay gap. The Estonian government is planning some actions in 2016 to address the gender pay gap, through a legislative change of the Gender Equality Act and implementation of the Welfare Plan. A legislative proposal is planned for May 2016 to mandate labour inspectors the right to observe the implementation of the principle of equal pay by employers. Policy proposals are also planned on making the current parental leave system more flexible. The draft Welfare Plan 2016-2023, to be adopted in March 2016,
regions. The regional strategies for north-eastern and south-eastern Estonia were expected to be ready for adoption by the government in January 2015. The process of updating the county development plans and putting in place the corresponding action plans is underway also in the other Estonian regions. The development of industrial parks in regions faced with high unemployment (north-eastern Estonia) is ongoing. Investment supported by ESI funds was made in two urban areas in the Ida-Viru region. A measure called ‘Sustainable urban development in Ida-Viru area’ will be enforced in 2015, and will include support for a wide range of activities. County development centres for companies are being further developed, and have started to offer more comprehensive support to companies in rural areas.

3. To ensure the labour-market relevance of education and training systems, improve skills and qualification levels by expanding lifelong learning measures and systematically increasing participation in vocational education and training, including in apprenticeships. Further intensify prioritisation and specialisation in the research and innovation systems and enhance cooperation between businesses, encompassing strategic aims for employment, social protection, gender equality and equal treatment policies. These measures have been announced but remain to be implemented.

Some progress in ensuring high-quality social services at local level, as amendments have been made to the Social Welfare Act and minimum requirements for nine social services entered into force on 1 January 2016. However, the actual impact of these measures depends on the level of cooperation between the local authorities and on the overall local government reform.

Some progress in the availability of childcare services, as the trend of meeting the need is clearly improving, with additional places being created each year with the help of the European Structural and Investment Funds.

<table>
<thead>
<tr>
<th>3.</th>
<th>To ensure the labour-market relevance of education and training systems, improve skills and qualification levels by expanding lifelong learning measures and systematically increasing participation in vocational education and training, including in apprenticeships. Further intensify prioritisation and specialisation in the research and innovation systems and enhance cooperation between businesses,</th>
<th>Some progress:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Some progress on lifelong learning and vocational education and training. A lifelong learning strategy was adopted by the Estonian government in early 2014, and programmes to implement it are currently being drawn up and are set to be presented in March 2015. A reform of curricula in the VET education system is ongoing, there has been progress on improving</td>
<td>Some progress:</td>
</tr>
<tr>
<td></td>
<td>Some progress in increasing participation in vocational education and training, and its labour market relevance, in particular by improving the availability of apprenticeships. Focus public support for research and innovation on a coordinated implementation of the limited number of smart specialisation areas.</td>
<td>Some progress:</td>
</tr>
<tr>
<td></td>
<td>Some progress in increasing participation in vocational education and training, and its labour market relevance, in particular by improving the availability of apprenticeships. Cooperation with social partners on VET and the provision of apprenticeships are picking up with the implementation of the thematic programme on VET, although dropout</td>
<td>Some progress:</td>
</tr>
<tr>
<td>higher education and research institutions to contribute to international competitiveness.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>---</td>
<td></td>
<td></td>
</tr>
<tr>
<td>skills and qualifications levels, and participation in lifelong learning has increased. An Adult Education Act and a Professions Act have been adopted by the parliament in early 2015.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Limited progress</strong> on improving attractiveness of vocational education and training as well as of apprenticeships.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Some progress</strong> on research and innovation systems and on improving cooperation between businesses, higher education and research institutions. As regards the implementation plan for the RDI strategy approved in September 2014, the responsibilities for R&amp;D policies have been clarified, the process of establishing smart specialisation growth areas has been set up and growth areas have been suggested for further investigation, cooperation improved across ministries, and a Steering Committee has been set up. An applied research programme is being set up (scheduled for 2015). An amended Organisation of Research and Development Act entered into force on 1 January 2015, strengthening the position of research personnel and giving more independence to R&amp;I institutions. As regards links within the knowledge triangle (education-research-innovation), the number of research contracts has tripled. The rates remain high.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Some progress</strong> in focusing public support for research and innovation on coordinated implementation of a limited number of smart specialisation areas. Estonia has put on place its smart specialisation framework, taking measures to implement its research, development and innovation strategy ‘Knowledge-based Estonia’ and its Entrepreneurship Growth Strategy. A steering committee worked to ensure synergies in implementation, involving the two main ministries, industry and academia. However, although the Estonian Development Fund monitored progress in the analysis of growth areas, it reported no outputs in 2015. Institutional coordination of implementation needs to be reinforced.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
SPINNO cooperation programme between universities and foreign companies has been set up. Scholarships have been introduced in specific curricula at tertiary level. A legal framework for public R&D procurement has been set up. University research facilities have been made accessible to external users. Clusters and technological development centres are being set up.

**Some progress** on the alignment of higher education (graduates in science and technology) with the needs of businesses and research institutions.

4. **Step up efforts to improve energy efficiency**, in particular in residential and industrial buildings. Substantially strengthen environmental incentives for the transport sector to contribute to less resource-intensive mobility. Continue the development of cross-border connections to neighbouring Member States to diversify energy sources and promote competition through improved integration of the Baltic energy markets.

**Some progress**:

- **Some progress** on residential and industrial buildings. Measures to increase energy efficiency in housing and central heating systems are ongoing. EUR 340 million in total (ERDF + national funding) has been earmarked for supporting renovation and increasing the energy efficiency of apartment buildings in the 2014-20 budget period, covering the renovation of multi-apartment buildings to achieve an average of 45% energy savings for 40,000 households by 2023. In the 2007-2013 period 22,500 apartments have been renovated, the expected energy savings averaging 40%.

**Limited progress** on environmental
incentives in the transport sector. The 2012-14 electro-mobility programme in transport has been implemented. The renewal of public transport fleets is ongoing. The joint venture to prepare and implement Rail Baltic has been established. Measures towards the 5-7 % biofuel mixing obligation for motor fuels and including financial support for producing and using bio-methane in transport have been announced, but have not been implemented so far. The shift towards increasing the share of alternative fuels will be encouraged through investment in pilot facilities. An energy-efficiency labelling scheme for cars has been prepared.

**Substantial progress** on cross-border connections. Estlink 2 (submarine cable) has been operational since March. Estonia is going ahead with the development of a third electricity connector with Latvia. An agreement has been reached on the Baltic connector gas pipeline between Estonia and Finland (scheduled for 2019). Two LNG terminals have been selected: a large-scale one in Finland and a smaller in Estonia.

5. Better balance local government revenue against devolved responsibilities. Improve the efficiency of local governments and ensure the provision of quality public services at local level, especially

**Limited progress**

**No progress** on balancing local government revenue against devolved responsibilities. Draft changes to the Equalisation Fund were announced in
social services complementing activation measures. 2013, but have not been restated since then.

**Limited progress** on the availability of quality services, in particular social services, at local level. Draft adjustments to the Codified Social Code establishing minimum requirements for municipalities and defining standards for certain social services provided at local level were submitted to the government in February. The government adopted the updated OECD Action Plan that, though favourable for the overall functioning of public administration, is not having an impact on the challenges raised by the country specific recommendation. Measures to establish regional public transport centres are being continued. The county development centres, partly financed by Enterprise Estonia, have started to offer more comprehensive support to companies in rural areas. Funding from the European Social Fund is being used to deliver social welfare services and implement a counselling project for people with multiple problems and their family members.
<table>
<thead>
<tr>
<th>Country Specific Recommendations 2014</th>
<th>Assessment of implementation of CSR 2014 (based on COM staff document)</th>
<th>Country Specific Recommendations 2015</th>
<th>Assessment of implementation of CSR 2015 (based on COM staff document)</th>
</tr>
</thead>
<tbody>
<tr>
<td>SGP: CSR 1, 2 and MIP: CSR 1, 3, 5, 6</td>
<td>1. Fully implement the 2014 budget and ensure the <strong>correction of the excessive deficit</strong> in a sustainable manner by 2015 through underpinning the budgetary strategy with additional structural measures while achieving the structural adjustment effort specified in the Excessive Deficit Procedure. After the correction of the excessive deficit, pursue a structural adjustment towards the <strong>medium-term objective</strong> of at least 0.5% of GDP each year, and more in good economic conditions or if needed to ensure that the debt rule is met in order to put the high general government debt ratio on a sustained downward path. Enhance the credibility of the fiscal adjustment strategy, effectively implement multi-annual budgetary planning and define broad budgetary measures underlyng the medium-term fiscal targets. Ensure the binding nature of the government expenditure ceiling including by limiting the statutory scope for discretionary changes. To support fiscal consolidation, consideration should be given to raising revenues through broadening the tax base. Enhance the growth and environmental friendliness of the tax system.</td>
<td>Some progress in addressing CSR 1 (this overall evaluation excludes an assessment of compliance with the Stability and Growth Pact): <strong>No progress</strong>: no changes have been made to the legal framework for expenditure ceilings. <strong>Some progress</strong>: starting in 2015 for new companies, and following a transition period until the end of 2020 for established ones, companies registered in Ireland will be treated as resident for tax purposes regardless of ownership structure, thereby scheduling an end to the ‘double Irish’ system and potentially broadening the tax base. No other measures have been taken to broaden the tax base, and little has been done to enhance the growth and environmental friendliness of the tax system.</td>
<td>1. Ensure a durable correction of the excessive deficit in 2015. Achieve a fiscal adjustment of 0.6% of GDP towards the medium-term budgetary objective in 2016. Use windfall gains from better-than-expected economic and financial conditions to accelerate the deficit reduction and debt reduction. Limit the existing discretionary powers to change expenditure ceilings beyond specific and predefined contingencies. <strong>Broaden the tax base and review tax expenditures</strong>, including on value-added taxes.</td>
</tr>
</tbody>
</table>
2. Advance the reform of the healthcare sector initiated under the Future Health strategic framework to increase cost-effectiveness. Pursue additional measures to reduce pharmaceutical spending, including through more frequent price realignment exercise for patented medicines, increased generic penetration and improved prescribing practices. Reform the financial management systems of the national health authority to streamline systems across all providers and to support better claims management. Roll out individual health identifiers starting by the end of the first quarter of 2015 at the latest.

<table>
<thead>
<tr>
<th>Some progress:</th>
<th>2. 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.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Some progress: the Health (Pricing and Supply of Medical Goods) Act 2013 provided for the establishment of a system of internal reference pricing, with internal reference pricing now established for 36 molecules. Generics penetration increased to around 70% in volume by Q3-2014. The mid-term review of the framework agreement with the Irish Pharmaceutical Healthcare Association (IPHA) on the supply terms, conditions and prices of medicines has begun but not finished. The authorities are asking for a widening of the reference basket, alignment to the lowest price instead of the average price, and more frequent realignments. The outcome of the review is not yet known. The rules on pricing realignment for patented medicines have not been changed.</td>
<td></td>
</tr>
<tr>
<td>Some progress: an activity-based funding model for budget allocations in statutory hospitals has been introduced on a shadow basis, but a full switch to activity-based funding will take some years to complete.</td>
<td></td>
</tr>
<tr>
<td>Some progress: the timeline for the roll-out of the first phase of individual health identifiers has been delayed, but the Health Identifiers Act 2014 was enacted in July 2014.</td>
<td></td>
</tr>
</tbody>
</table>

Some progress: Ireland has made some progress in increasing cost-effectiveness in the healthcare system, even though it remains an issue, with renewed expenditure overruns in 2015. Savings on pharmaceuticals have been generated by the increased recourse to generics and the use of internal reference prices and lists of interchangeable medicines. Prescription by international non-proprietary name is still not compulsory for medicines to be dispensed in Ireland. The planned mid-term review of the agreement on the supply and pricing of patented medicines with the Irish Pharmaceutical Healthcare Association (IPHA) was never concluded. Formal engagement with the IPHA for its replacement is only expected to start in early 2016. An Activity Based Funding Implementation Plan 2015-2017 was published in May 2015.
3. Pursue further improvements in **active labour market policies**, with a particular focus on the long-term unemployed, the low-skilled and, in line with the objectives of a youth guarantee, young people. Advance the ongoing reform of the further education and training (FET) system, employment support schemes and apprenticeship programmes. Offer more workplace training; improve and ensure the relevance of FET courses and apprenticeships with respect to labour market needs. Increase the level and quality of support services provided by the Intreo labour offices. Put in place a seamless FET referrals system between Intreo offices and Education and Training Boards.

**Some progress:**

**Some progress:** a new version of *Pathways to Work*, the strategy setting out Ireland’s reform of activation and training services, was published in October 2014. It sets out new actions to be implemented in the coming year as well as quantitative targets, with a greater emphasis on long-term and youth unemployment. *Pathways to Work 2015* specifies new measures for implementing the Youth Guarantee. There was some delay in setting up the *Job Path* initiative, but it is going ahead and the contracts with the two providers have now been signed. When fully implemented, it will enable a large number of long-term unemployed to benefit from activation services provided by private contractors.

**Some progress:** all training centres under the management of SOLAS have been consolidated under their respective Education and Training Boards, and SOLAS recently published its three-year corporate strategy and a five-year strategy for developing and delivering an integrated further education and
<table>
<thead>
<tr>
<th>4. Tackle low work intensity of households and address the poverty risk of children through tapered withdrawal of benefits and supplementary payments upon return to employment. <em>Facilitate female labour market participation</em> by improving access to more affordable and full-time childcare, particularly for low income families.</th>
<th>3. Take steps to increase the work-intensity of households and to address the poverty risk of children by tapering the withdrawal of benefits and supplementary payments upon return to employment and through better access to affordable full-time childcare.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Limited progress:</strong> Budget 2015 announced that Child Benefit payments will increase by EUR 5 a month throughout 2015. This is not likely to have a significant impact as an individual measure but may help matters as part of a series of announced measures that includes: (1) reforms to the Back to Work Family Dividend; and (2) the establishment of a Low Pay Commission as an independent statutory body that will make annual recommendations to the government on the appropriate level of the minimum wage and related matters. The Housing Supplement is gradually being replaced with the Housing Assistance Payment in order to reduce the disincentive to return to work arising from housing subsidies for the unemployed.</td>
<td><strong>Some progress:</strong> in increasing the work intensity of households. Reforms to the One Parent Family Payment (OFP) are continuing. The largest group of recipients of OFP, around 30 000, transitioned to a jobseeker’s payment in July 2015. <strong>Some progress</strong> in addressing the poverty risk of children. The 2016 budget announced that Child Benefit would increase by a further EUR 5 to EUR 140 per month per child. A new Social Inclusion and Community Activation Programme was launched in April 2015. The programme aims to cater for individuals who are further from the labour market. Target groups include children and families from disadvantaged areas and lone parents. <strong>Some progress</strong> in tapering benefits.</td>
</tr>
</tbody>
</table>
No progress was made in improving access to more affordable and full-time childcare.

The 2016 budget announced reforms to the Family Income Supplement, which has increased the number of eligible families. The roll-out of the Housing Assistance Payment, which reduces the disincentive to return to work arising from housing subsidies for the unemployed, is continuing.

**Some progress** in improving access to childcare. The Inter-departmental Working Group on Investment in Childcare identified a number of policy options to strengthen childcare services. The 2016 budget announced plans for the development of a single Affordable Childcare Programme providing a new simplified childcare subsidy programme to be in place in 2017. The 2016 budget also announced new funding for childcare amounting to EUR 85 million and increasing the total funding for childcare by a third. EUR 47 million will be spent on a second year of free preschool education for children from 3 years of age until they start primary school.

| 5. Advance policies for the SME sector including initiatives to address the availability of bank and non-bank financing and debt restructuring issues, while avoiding risks to public finances and financial stability. Advance initiatives to improve SME's access to bank credit and non-bank finance. Introduce a monitoring system for SMEs. | Some progress: **Some progress:** the legislation to replace the National Pensions Reserve Fund (NPRF) with the Ireland Strategic Investment Fund was enacted in July 2014. The mandate of the Ireland Strategic Investment Fund is to invest on a... |
lending in the banking sector. In parallel, work to ensure that available non-bank credit facilities, including the three SME funds co-funded by the National Pensions Reserve Fund, Microfinance Ireland and the temporary loan guarantee scheme, are better utilised. Promote the use of these and other non-bank schemes by SMEs. Enhance the Credit Review Office's visibility and capabilities in mediating disputes between banks and prospective SME borrowers who have been refused credit.

commercial basis to support economic activity in Ireland. It will focus in part on SMEs and manage assets worth EUR 7 billion (4% of GDP). The recently established state development corporation for SMEs, the Strategic Banking Corporation of Ireland was launched in October 2014 to provide loans through existing credit institutions, with a full rollout of products expected in the first quarter of 2015. The Strategic Banking Corporation of Ireland secured an initial amount of EUR 800 million in funds, of which EUR 550 million are guaranteed by the government.

Substantial progress: The authorities publish quarterly data on bank lending to SMEs, but no longer have a formal target based system to monitor lending to SMEs though it is closely watched.

Some progress: Two SME funds, co-financed by the National Pensions Reserve Fund (NPRF), are lending with a growing number of projects in the pipeline. The mandate of a third NPRF fund, the Turnaround Fund, was not renewed at the end of 2014 due to the limited pool of underperforming/distressed businesses eligible as turnaround investment cases amid a continued economic recovery. The Action for Jobs 2015 announced a reconfigured
Credit Guarantee Scheme and a simplified operation of the Microenterprise Loan Fund. A supporting SMEs Online Tool was launched to increase awareness among SMEs of available business supports. A communications campaign is being run to showcase the website.

Some progress: Permanent TSB has agreed to participate in the Credit Review Office process since it will begin lending to SMEs. The upper limit for referring refusals to the Credit Review Office has been increased to EUR 3 million. As the latest RedC SME Credit Demand Survey (September 2014) shows, there are still issues with the visibility and usage of nonbank schemes and of the Credit Review Office for appeals against credit refusals. Awareness and knowledge of SME funding options remains low.

6. Monitor banks’ performance against the mortgage arrears restructuring targets. Announce ambitious targets for the third and fourth quarters of 2014 for the principal mortgage banks to propose and conclude restructuring solutions for mortgage loans in arrears of more than 90 days, with a view to substantially resolving mortgage arrears by the end of 2014. Continue to assess the sustainability of the concluded restructuring arrangements through

Some progress:

Full implementation: the Central Bank of Ireland continues to monitor banks’ performance against the mortgage arrears restructuring targets.

Full implementation: in June 2014, the Central Bank of Ireland announced new targets for the third and fourth quarters of 2014. For the

4. Finalise durable restructuring solutions for a vast majority of mortgages in arrears by end-2015 and strengthen the monitoring arrangements by the Central Bank of Ireland. Ensure that restructuring solutions for loans to distressed SMEs and residual commercial real-estate loans are sustainable by further assessing banks’ performance against own targets. Take the necessary steps to ensure that a central credit

Some progress:

Some progress in finalising durable restructuring solutions. The Central Bank of Ireland has requested banks to provide plans on how they intend to conclude sustainable solutions with the vast majority of mortgage borrowers in arrears by the end of Q1-2016. As of the end of September 2015, 86 % of concluded restructuring solutions were meeting
<table>
<thead>
<tr>
<th>Audits and targeted on-site reviews. Develop guidelines for the durability of solutions. Publish regular data on banks' SME loan portfolios in arrears to enhance transparency. Develop a strategy to address distressed commercial real-estate exposures. Establish a central credit registry.</th>
</tr>
</thead>
<tbody>
<tr>
<td>third quarter of 2014, the banks reached and even exceeded the targets, with an encouraging 91% of solutions meeting the terms. Audits are taking place of the banks’ mortgage arrears resolution targets Q2-2014 returns.</td>
</tr>
<tr>
<td><strong>Substantial progress:</strong> the Central Bank of Ireland continues to assess the sustainability of the concluded restructuring arrangements through audits and on-site reviews.</td>
</tr>
<tr>
<td><strong>No progress</strong> was made in developing guidelines for the durability of solutions.</td>
</tr>
<tr>
<td><strong>No progress</strong> was made in publishing regular data on the banks’ SME loan portfolios in arrears.</td>
</tr>
<tr>
<td><strong>Limited progress:</strong> the National Asset Management Agency is ahead of schedule with EUR 18.7 billion of asset disposals at end-December 2014 (28% of which are disposals of Irish assets), taking advantage of strong market demand.</td>
</tr>
<tr>
<td><strong>Limited progress:</strong> the Credit Reporting Act, 2013 came into force in January 2014. Work on the central credit register has been well underway since January 2014, but the current timeline envisages some delay with the register being registry is operational by 2016.</td>
</tr>
<tr>
<td>the terms of arrangements. However, meeting the terms of the arrangement is not necessarily an indicator of sustainability. Not all restructures are sustainable solutions since they include short-term solutions, such as interest only restructures.</td>
</tr>
<tr>
<td><strong>Substantial progress</strong> in strengthening monitoring arrangements. The five main mortgage holders’ mortgage restructuring proposals are now monitored by the Central Bank of Ireland through a more granular framework that has replaced the mortgage arrears restructuring targets. The Central Bank of Ireland started publishing statistics on non-bank lenders’ mortgage arrears portfolios in early 2015, as more non-banks hold mortgage loan arrears, especially long-term ones.</td>
</tr>
<tr>
<td><strong>Some progress</strong> in ensuring restructuring solutions for loans to SMEs. The Central Bank of Ireland continues with the monitoring of distressed SME and commercial real estate loan resolution against the set of key performance indicators. Still, their resolution continues to be a lengthy process. The National Asset Management Agency (NAMA) is ahead of schedule with the sale of its development property and commercial loan portfolio. NAMA is due to be wound down in 2018.</td>
</tr>
</tbody>
</table>
Some progress in ensuring restructuring solutions for loans to SMEs. The Central Bank of Ireland continues with the monitoring of distressed SME and commercial real estate loan resolution against the set of key performance indicators. Still, their resolution continues to be a lengthy process. The National Asset Management Agency (NAMA) is ahead of schedule with the sale of its development property and commercial loan portfolio. NAMA is due to be wound down in 2018.

Some progress in setting up a credit registry. A revised plan for the implementation of the central credit registry has been adopted while pushing back the timeline for effective implementation. Lenders may start submitting data on individuals from the end of September 2016, while the deadline for the submissions for all categories will only be at the end of 2017. Inquiries to the central credit registry when granting new loans to individuals will become mandatory for lenders from 2018 onwards, while it will become obligatory for all categories of loan in mid-2018. The development of secondary legislation is still ongoing, with the intention to finalise the regulations by March 2016.
7. Reduce the cost of legal proceedings and services and foster competition, including by adopting the Legal Services Regulation Bill by the end of 2014, including its provision allowing the establishment of multi-disciplinary practices, and by seeking to remove the solicitor's lien. Monitor its impact, including on the costs of legal services. Take executive steps to ensure that the Legal Services Regulatory Authority is operational without delay and that it meets its obligations under the legislation, including in terms of publishing regulations or guidelines for multi-disciplinary practices and the resolution of complaints. Improve data collection systems to enhance the monitoring and evaluation of the efficiency of judicial proceedings to identify issues in need of reform.

| Limited progress: | Limited progress: the authorities have indicated that the Legal Services Regulation Bill should pass Dáil Report Stage in early 2015 and proceed to the Seanad soon after that. Progress towards enactment therefore continues to be slow. Indications were initially that the Bill would proceed to Report Stage (the final stage in the Dáil before being sent to the Seanad) before the summer recess, but this did not happen. Recurrent long delays have been experienced in the past and seem to be happening again after some acceleration in the process in early 2014. |
| Limited progress: | No progress: the Bill will not include a provision to remove the solicitor's lien. |
| Limited progress: | No progress: the Bill needs to be enacted first and it will take time before its impact can be assessed. |
| Some progress: | Limited progress: Budget 2015 allocated EUR 500 000 towards setting up the Legal Services Regulatory Authority. |
| Some progress: | Some progress: the authorities have taken measures to improve systems to collect data collection on judicial proceedings. The implementation of these measures remains to be |
completed for some courts and areas of the justice system.
<table>
<thead>
<tr>
<th>EL</th>
<th>Country Specific Recommendations 2014</th>
<th>Assessment of implementation of CSR 2014 (based on COM staff document)</th>
<th>Draft Country Specific Recommendations 2015</th>
<th>Assessment of implementation of CSR 2015 (based on COM staff document)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Greece</strong></td>
<td>To avoid duplication with measures set out in the Economic Adjustment Programme, there are no additional recommendations for Greece.</td>
<td></td>
<td>To avoid duplication with measures set out in the Economic Adjustment Programme, there are no additional recommendations for Greece.</td>
<td></td>
</tr>
<tr>
<td><strong>Country Specific Recommendations 2014</strong></td>
<td><strong>Assessment of implementation of CSR 2014</strong> (based on COM staff document)</td>
<td><strong>Country Specific Recommendations 2015</strong></td>
<td><strong>Assessment of implementation of CSR 2015</strong> (based on COM staff document)</td>
<td></td>
</tr>
<tr>
<td>------------------------------------------</td>
<td>-------------------------------------------------</td>
<td>------------------------------------------</td>
<td>-------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>SGP: CSR 1 and MIP: CSR 1, 2, 3, 4, 6, 7, 8</td>
<td><strong>Some progress</strong> (This overall assessment of CSR 1 excludes an assessment of compliance with the Stability and Growth Pact): Substantial progress was achieved in ensuring that the new independent fiscal authority becomes fully operational as soon as possible. AIReF is now operational. Limited progress is recorded in ensuring a full implementation of the preventive, corrective and enforcement measures in the Budgetary Stability Organic Law at all levels of government: the majority of Economic and Financial plans for regions having not complied with the 2013 deficit target were adopted late in 2014: in July 2014, the Fiscal and Financial Policy Council (FFPC) approved the Economic and Financial Plan of Aragón only. On 23/12/2014, it approved those of Catalonia, Valencia, Murcia and Cantabria and Castilla-La Mancha. Moreover, no preventive measures were taken last year on regions at risk of non-compliance with the 2014 deficit target, despite visible deterioration in regions' budget execution.</td>
<td>SGP: CSR 1 and MIP: CSR 1, 2, 3, 4</td>
<td><strong>Limited progress</strong> Some progress has been made to strengthen transparency and accountability of regional public finances. On 30/10/15, IGAE, the state general comptroller, issued guidelines on how to implement the spending rule at regional government level. Moreover, the Ministry of Finance is expected to start publishing detailed data on regional governments’ spending on health and pharmaceutical products in early 2016, following the amendments made to Spain’s general law on healthcare in July 2015. Despite progress made throughout the previous legislature, there remains room for achieving greater convergence of budgetary codes, budgetary documents, accompanying tables and public accounting rules for regional governments in the interest of transparency. Limited progress has been made in improving the cost-effectiveness of the healthcare sector, and rationalising hospital pharmaceutical spending. <strong>Limited progress</strong> needs to be</td>
<td></td>
</tr>
</tbody>
</table>
including on the elimination of public sector commercial arrears. Carry out by February 2015 a systematic review of expenditure at all levels of government to underpin the efficiency and quality of public spending going forward. Continue to increase the cost-effectiveness of the healthcare sector, in particular by further rationalising pharmaceutical spending, including in hospitals and strengthening coordination across types of care, while maintaining accessibility for vulnerable groups.

**Some progress** is recorded on elimination of public sector commercial arrears: on 25/11/2014, the Ministry of Finance published for the first time data on average payment periods covering all general government levels.

**Some progress** was made in the systematic review of expenditure at all levels of government. Proposals to review healthcare, education, social and public administration regional spending have been discussed in 2014 at the Financial and Fiscal Policy Council meetings. The spending review has not been published, though.

**Some progress** was made in increasing the cost-effectiveness of the healthcare sector. Reforms to increase the efficiency and monitoring of healthcare expenditure continue, since 2012, in addition to public administration reforms that contributed further to rationalise the sector and to improve its efficiency.

**Some progress** was achieved as regards comprehensive tax reform to make the tax system simpler and more conducive to growth and job creation. The tax reform was adopted on 20/11/2014, covering personal income taxation and corporate income taxation, to be implemented from 2015.

<table>
<thead>
<tr>
<th>Legislation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>Implement tax reforms to simplify and promote growth and job creation.</td>
</tr>
<tr>
<td>2016</td>
<td>Limit growth in expenditure on original non-generic prescription drugs to reference GDP growth rate.</td>
</tr>
</tbody>
</table>

Some progress is recorded on the elimination of public sector commercial arrears. Some progress was made in the systematic review of expenditure at all levels of government. Some progress was made in increasing the cost-effectiveness of the healthcare sector. Some progress was made in comprehensive tax reform to simplify and promote growth and job creation.
| 2. Complete the reform of the savings bank sector, as regards the adoption of secondary legislation and complete the restructuring of state-owned savings banks in order to accelerate their full recovery and facilitate their return to private ownership. Promote banks' efforts to sustain strong capital ratios, monitor the asset management company Sareb's activity in order to ensure timely asset disposal while minimising the cost to the taxpayer. Complete the ongoing measures to widen SMEs access to finance, in particular by finalising the ongoing measures to improve non-bank financial intermediation. Remove remaining bottlenecks in the corporate insolvency framework, in particular by enhancing the expertise of insolvency administrators and the capacity of the judicial system to handle insolvency cases, and develop a permanent framework for personal insolvency, paying due attention to balanced creditor/borrower rights and financial stability considerations. | January 2015 onwards. **Some progress** was also made as far as the fight against tax evasion is concerned, but there was no progress in the area of environmental taxation. **Some progress:** Some progress was made as regards the reform of the savings bank sector. A new solvency law approved on 4/06/2014, and discussion on the first draft of the act implementing the savings banks law started in October 2014. **Substantial progress** was made in promoting bank efforts to sustain strong capital ratios. **Some progress** is recorded in monitoring the activity of the asset management company Sareb. Sareb continues divesting its assets at a moderate pace, concentrated in key areas, such as Barcelona, Madrid, Malaga and Alicante. A draft law on a new system for the restructuring and resolution of credit institutions was adopted by the government on 28/11/2014. **Substantial progress** was made in completing the ongoing measures to widen SMEs access to finance. The plan for growth, competitiveness and efficiency, (including measures to |
| 2. 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:** The implementation of the savings bank reform is well advanced. The law on savings banks (Law 26/2013) to reduce controlling stakes of banking foundations in the banks was finally implemented with Royal Decree 877/2015 and Circular 6/2015. There was no further progress on privatisation of state-owned banks. The entry into force of a new accounting framework for SAREB, the Spanish asset management company, is a positive development, as it will allow proper treatment of impairments and asset-price evolution, and help in adapting deleveraging policies of SAREB to credible market assumptions. |
Some progress was made in removing the remaining bottlenecks in the corporate insolvency framework. Royal Decree-Law 11/2014 on urgent measures in the area of insolvency was adopted on 5/09/2014 (a special working group will monitor its implementation and will issue annual reports). On 30/09/2014, Law 17/2014 was adopted revising pre-insolvency proceedings and enhancing the system of insolvency administrators.

<p>| 3. Pursue new measures to reduce labour market segmentation to favour sustainable, quality jobs, for instance through reducing the number of contract types and ensuring a balanced access to severance rights. Continue regular monitoring of the labour market reforms. Promote real wage developments consistent with the objective of creating jobs. Strengthen the job-search requirement in unemployment benefits. Enhance | 3. Promote the alignment of wages and productivity, in consultation with the social partners and in accordance with national practices, taking into account differences in skills and local labour market conditions as well as divergences in economic performance across regions, sectors and companies. | Some progress: Limited progress pursuing new measures to reduce labour market segmentation to favour sustainable, quality jobs. On 25/02/2014, the Government introduced a temporary reduced form of employer contribution to social security for net indefinite employment, and extended it on 26/12/2014 until 31/03/2015 (Royal Decree-Law 17/2014). No other | Some progress: Some progress has been reached in wage setting, owing in particular to the latest collective bargaining agreement for 2015-2016 signed by social partners in June 2015. The agreement strives to take into account differences in skills and local labour market conditions, as well as divergences in economic performance across regions, sectors and companies. Take steps to increase the quality and effectiveness of job search assistance and counselling, including as part of tackling youth |</p>
<table>
<thead>
<tr>
<th>Relevant Measures Taken</th>
<th>Policy Area</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Some progress</strong> was made in continuing regular monitoring of the labour market reforms.</td>
<td>Active labour market policies</td>
</tr>
<tr>
<td><strong>Some progress</strong> is recorded promoting real wage developments consistent with the objective of creating jobs.</td>
<td>Active labour market policies</td>
</tr>
<tr>
<td><strong>Some progress</strong> was made in strengthening the job-search requirement for unemployment benefits.</td>
<td>Active labour market policies</td>
</tr>
<tr>
<td><strong>Limited progress</strong> in enhancing the effectiveness and targeting of active labour market policies.</td>
<td>Active labour market policies</td>
</tr>
</tbody>
</table>

*Limited progress* has been registered in ensuring effective minimum income support schemes that allows smooth transition to the labour market. Income support schemes and social services are scattered across many institutions and levels of government that limit the portability and mobility of the beneficiaries. The delivery of family support schemes (notably affordable early childhood education and care, and long term care) remains poor and regional mobility has not improved.

*However, the number of workers covered by firm-level agreements is still very low.*

*Some progress* has been made to increase the quality and effectiveness of job search assistance and counselling, including as part of the tackling youth unemployment. The implementation of the Activation Strategy 2014-2016 is progressing very slowly, as well as the cooperation between the regions and the central government. The national Youth Guarantee was set in motion. However, participation in initiatives to increase labour market participation, entrepreneurship, and the employability of young people is still much lower than expected, and effective outreach mechanisms are lacking.

*Limited progress* has been registered in ensuring effective minimum income support schemes that allows smooth transition to the labour market. Income support schemes and social services are scattered across many institutions and levels of government that limit the portability and mobility of the beneficiaries. The delivery of family support schemes (notably affordable early childhood education and care, and long term care) remains poor and regional mobility has not improved.
and education and training policies. The new basic vocational education and training is being implemented, and the government is currently working on broadening the dual vocational training framework.

**Limited progress** is recorded in accelerating the modernisation of public employment services. The 2014-2016 Activation Strategy adopted on 5/09/2014 envisages common set of services to be provided to all unemployed by the Public Employment Service, which was set by Royal Decree adopted on 16 January.

**Some progress** is recorded in ensuring the effective application of public-private cooperation in placement services. The framework agreement with private agencies was formalised at the end of 2014. Bilateral agreements are now to be signed by regional and national public employment services with employment agencies. The agreement between the national Public Employment Service and private agencies related to the beneficiaries of the PREPARA programme was signed at the end of 2014, but the process is likely to be delayed due to a recent administrative court judgement.

**Substantial progress** was made ensuring the effective functioning of
4. Implement the 2013-2016 Youth Entrepreneurship and Employment Strategy and evaluate its effectiveness. Provide good quality offers of employment, apprenticeships and traineeships for young people and improve the outreach to non-registered unemployed young people, in line with the objectives of a youth guarantee. Effectively implement the new educational schemes to increase the quality of primary and secondary education. Enhance guidance and support for groups at risk of early school leaving. Increase the labour-market relevance of vocational education and training and of higher education, in particular by enhancing the cooperation with employers and supporting the training of trainers and tutors.

Some progress:

Some progress was made in implementing the 2013-2016 Youth Entrepreneurship and Employment Strategy and evaluating its effectiveness. Most of strategy's short-term measures are already implemented; however many of the medium and long-term measures and the first evaluation, are still pending.

Some progress was achieved in setting the national legal framework for delivery of the Youth Guarantee.

Limited progress was made in providing good quality offers of employment, apprenticeships and traineeships for young people and improving the outreach to non-registered unemployed young people, in line with the objectives of a youth guarantee.

Some progress was done implementing the new educational schemes to increase the quality of primary and secondary education. The Law on Quality of Education (LOMCE) is gradually being implemented, starting from the
2014/2015 school year, including the new basic course for vocational education and training (designed also as a measure to address early school-leaving), and the new evaluation of pupil performance.

**Limited progress** is recorded in enhancing guidance and support for groups at risk of early school-leaving.

**Limited progress** was done in increasing the labour-market relevance of vocational education and training and of higher education. A specific committee has been set up in the labour market sectorial conference, which will examine, among other things, the relevance of education and training curricula to labour market needs. However, the efforts to enhance cooperation of higher education institutions with employers are lagging behind. There are plans for an extension of the dual vocational training in 2015, but there are still substantial divergences in the implementation across the regions.

5. **Implement the 2013-2016 National Action Plan on Social Inclusion** and assess its effectiveness covering the full range of its objectives. Strengthen administrative capacity and coordination between employment and social services in order to provide integrated pathways to support those at risk, and boost,

**Limited progress**

**Limited progress** was done in implementing the 2013-2016 National Action Plan on Social Inclusion.

**Limited progress** was achieved in strengthening administrative capacity and coordination between employment
among the Public Administrations responsible for the minimum income schemes, streamlined procedures to support transitions between minimum income schemes and the labour market. Improve the targeting of family support schemes and quality services favouring low-income households with children, to ensure the progressivity and effectiveness of social transfers.

Limited progress is recorded in improving the targeting of family support schemes and quality services favouring low-income households with children, to ensure the progressiveness and effectiveness of social transfers. The Action Plan on the Spanish Strategy on Disability, Action Plan on Equality in the Information Society and Youth Strategy 2020 were adopted on 12/09/2014. The Integrated Family Support Plan (PIAF) is still under negotiation. A special allocation of EU 17 million was included in the 2014 national budget to tackle severe material deprivation of families with dependent children, including Roma. The allocation was increased to EU 32 million in the 2015 budget.

<table>
<thead>
<tr>
<th>6. Ensure an ambitious and swift implementation of Law No 20/2013 on Market Unity at all levels of administration. Adopt an ambitious reform of professional services and of professional associations by the end of</th>
<th>Some progress:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Some progress is achieved on the implementation of Law No 20/2013 on Market Unity, which is lagging behind, mostly due to delays at sub-</td>
<td>Some progress:</td>
</tr>
<tr>
<td>4. Remove the barriers preventing businesses from growing, including barriers arising from size-contingent regulations; adopt the planned reform on professional services; accelerate the implementation of the law on market</td>
<td>Some progress:</td>
</tr>
<tr>
<td>Some progress has been made in removing the barriers preventing businesses from growing. Some measures were adopted since the</td>
<td></td>
</tr>
</tbody>
</table>
2014, defining the professions requiring registration in a professional organisation, and the transparency and accountability of professional bodies, opening up unjustifiably reserved activities and safeguarding market unity in the access to and exercise of professional services in Spain. Further **reduce the time, cost and number of procedures** required for setting up an operating business. **Address unjustified restrictions** to the establishment of large-scale retail premises, in particular through a revision of existing regional planning regulations. Identify sources of financing for the new national strategy for science, technology and innovation and **make operational the new State Research Agency**.

<table>
<thead>
<tr>
<th><strong>central government level.</strong></th>
<th><strong>No progress</strong> has been done as regards the adoption of the reform of professional services and professional associations.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Some progress</strong> has been done in further reducing the time, cost and number of procedures required for setting up an operating business. Implementation of Law 14/2013 on entrepreneurship continues, although the law on environmental assessment, adopted in December 2013, is not yet being fully implemented by various regions. Despite progress, the most recent indicators measuring ease to start-up a business show that it is more cumbersome to start-up a business in Spain than in other European countries sharing similar legal systems.</td>
</tr>
<tr>
<td></td>
<td><strong>Substantial progress</strong> is recorded in addressing unjustified restrictions to the establishment of large-scale retail premises, following the adoption on 4/07/2014 of Royal Decree-Law 8/2014, which facilitates licensing procedures for the establishment, sale and expansion of retail outlets. Smooth implementation at sub-central government level of this reform is however needed for the amendments to deliver the expected results.</td>
</tr>
<tr>
<td></td>
<td><strong>Limited progress</strong> is achieved in identifying sources of financing for unity.</td>
</tr>
<tr>
<td></td>
<td><strong>No progress</strong> has been made in adopting the planned reform of professional services. The Spanish government decided in 2015 not to pursue this reform. As a result, no draft law has been sent to Parliament, despite the fact that technical work linked to the reform had been completed.</td>
</tr>
<tr>
<td></td>
<td><strong>Some progress</strong> has been made in accelerating the implementation of the law on market unity. At the cut-off date of this report, the central government had completed around 60% of the planned amendments to sector specific legislation. The rate of completed amendments at regional level is around 17%, thus showing little progress since the publication of the 2015 Country Report for Spain. At the time of writing one agreement had been reached at sectoral conference level on gambling. However, some technical groups reporting to the sectoral conferences have made agreements in the areas of industry, publication of the 2015 Country Report for Spain with a view to fostering company growth. The April 2015 law on corporate finance aims to improve SME’s access to bank credit and non-bank financing. The October 2015 law on the legal framework of public administration sets out the obligation to assess the impact of new legislation on SMEs.</td>
</tr>
</tbody>
</table>
the new national strategy for science, technology and innovation. The Royal Decree 475/2014, adopted on 13/06/14, allows businesses to deduct 40% from their social security contributions if they employ full time workers to carry out R&D and innovation activities. The 2015 national budget increases public spending on research and innovation by 4.8%. However, this is partly due to a high rise in military research and innovation spending. Moreover, a substantial part of the increase is earmarked to reimburse multiannual research and innovation project grants committed in previous exercises. In practice, this leaves only a small portion of the public research and innovation budget increase to support the national strategy for science, technology and innovation.

No progress has been done in setting up a new State Research Agency.

<table>
<thead>
<tr>
<th>7. Following the reform of 2013, ensure the effective elimination of deficit in the electricity system as of 2014, including by taking further structural measures if needed. Address the problem of insolvent toll motorways so as to minimise costs for the State. Set up an independent body to contribute to the assessment of future major infrastructure projects by the end of 2014. Take measures to ensure effective competition in freight</th>
<th>tourism, urban and environmental regulations. Cooperation mechanisms among the different administrations set out in the Law, such as the electronic application to share information among central, regional and local authorities, are operational. Lastly, the law also introduces a complaint mechanism offering the possibility for economic agents to seek redress on barriers to market unity within shorter deadlines than ordinary administrative appeals. At the time of writing, 150 complaints had been submitted.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Some progress:</td>
<td>Some progress was achieved in ensuring the effective elimination of deficit in the electricity system as of 2014. On 06/06/2014, the government adopted a new remuneration system for existing and new renewable power plants, affecting revenues for already operating plants. On 4/07/2014, the Council of Ministers adopted Royal Decree-Law 8/2014 to tackle the</td>
</tr>
</tbody>
</table>
and passenger rail services. Increasing gas tariff deficit. On 12/12/2014, the government approved Royal Decree 1054/2014, to finance the 2013 tariff deficit by the five major electric utilities, estimated at EUR 3 540 million, and to address the ‘cyclical imbalances’ for future years.

**Some progress** was achieved in addressing the problem of insolvent toll motorways so as to minimise costs for the state. In March 2014, the authorities proposed to set up a public company taking over the motorways and presented a restructuring plan to creditors. On 17/10/2014, the authorities initiated the insolvency procedure by presenting an official proposal to bail out the motorways, requiring the negotiating parties to reach an agreement, which should subsequently be approved in court.

**Limited progress** is recorded in setting up an independent body to contribute to the assessment of future major infrastructure projects. On 30/06/2014, a Ministerial Order was adopted to set up an advisory council on infrastructure projects.

**Some progress** was made in taking measures to ensure effective competition in freight and passenger rail services. On 4/07/2014, the Council of Ministers adopted Royal Decree-Law 8/2014, creating a fund to improve land accessibility of seaports.
On 13/06/2014, the Council of Ministers announced that a licence (to be operational in 2015) will be provided to compete with the incumbent Renfe on the rail network between Madrid, Valencia, Alicante, Murcia, and Castellón. After seven years under this licence, the corridor will be fully-opened to competition.

8. Implement at all government levels the recommendations of the committee for the reform of the public administration. Strengthen control mechanisms and increase the transparency of administrative decisions, in particular at regional and local levels. Complete and monitor closely the ongoing measures to **fight against the shadow economy and undeclared work**. Adopt pending reforms on the structure of the judiciary and on the judicial map and ensure implementation of adopted reforms.

**Some progress:**

Some progress is achieved in implementing at all government levels the recommendations of the committee for the reform of public administration. As at end-December 2014, 129 of 222 public administration reform measures had already been implemented (58.1 % of the total number of measures) while 61 others were at an advanced stage of implementation.

**Some progress** in strengthening transparency of administrative decisions. The provisions on transparency and public access to information became effective in December 2014 at central government level; they will enter into force in December 2015 at sub-central government level. The following draft laws were in parliament at the time of writing: a draft organic law on the control of political parties’ economic and financial activities, a draft law on the exercise of duties of senior
officials in Spain’s central administration and amendments to the Penal Code to criminalise illegal party funding and extend the statute of limitations for corruption-related crimes.

No progress was recorded in strengthening control mechanisms in particular at regional and local levels. There have been no initiatives to enhance these powers in the public procurement and urban planning areas.

Some progress was done in completing and monitoring closely the ongoing measures to fight against the hidden economy and undeclared work.

Limited progress was achieved as regards the adoption of pending judicial reforms: a first draft of a law on the structure of the judiciary was approved by the government on 14/04/2014; the draft is being reviewed in the first quarter of 2015 to limit its scope. Draft bills on legal aid and on voluntary jurisdiction were submitted to parliament on 21/02/2014 and on 1/08/2014, respectively.

Some progress was achieved in implementing adopted reforms –i.e., the so-called Oficina Judicial and improving interoperability between regions’ electronic case management systems.
### Country Specific Recommendations 2014

**SGP: CSR 1 and MIP: CSR 1, 2, 3, 4, 5, 6**

| **Assessment of implementation of CSR 2014** (based on COM staff document) | **Country Specific Recommendations 2015**
| --- | --- |

#### 1. Reinforce the budgetary strategy, including by further specifying the underlying measures, for the year 2014 and beyond to **ensure the correction of the excessive deficit in a sustainable manner** by 2015 through achieving the structural adjustment effort specified in the Council recommendation under the Excessive Deficit Procedure. A durable correction of the fiscal imbalances requires a credible implementation of ambitious structural reforms to increase the adjustment capacity and boost growth and employment. After the correction of the excessive deficit, pursue a structural adjustment towards the medium-term objective of at least 0,5 % of GDP each year, and more in good economic conditions or if needed to ensure that the debt rule is met in order to put the high general government debt ratio on a sustained downward path. Step up efforts to **achieve efficiency gains across all sub-sectors of general government**, including by redefining, where relevant, the scope of government action. In particular, take steps to reduce significantly the increase in social security spending as from 2015.

**Limited progress** (this overall assessment of CSR 1 excludes an assessment of compliance with the Stability and Growth Pact): **Limited progress** has been made in achieving efficiency gains. The inter-ministerial committee for the Modernisation de l’Action Publique (MAP) was last convened in December 2013. In 2015, savings in the government’s operational expenditure of EUR 2.1 billion are planned, compared to current expenditure trends. In addition, the programming law for public finances provides for a yearly spending review involving all public administrations, with the results systematically communicated to parliament and used as inputs into the draft budget.

### Country Specific Recommendations 2015

**SGP: CSR 1 and MIP: CSR 1, 2, 3, 4, 5, 6**

| **Assessment of implementation of CSR 2015** (based on COM staff document) | **Country Specific Recommendations 2015**
| --- | --- |

#### 1. **Ensure effective action under the excessive deficit procedure and a durable correction of the excessive deficit by 2017** by reinforcing the budgetary strategy, taking the necessary measures for all years and using all windfall gains for deficit and debt reduction. Specify the expenditure cuts planned for these years and provide an independent evaluation of the impact of key measures.

2. **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 **Some progress**:

**Limited progress** (this overall assessment of CSR 1 excludes an assessment of compliance with the Stability and Growth Pact):

**Limited progress** has been made in specifying the expenditure cuts planned up to 2017. The latest draft budgetary plan specified the expenditure cuts planned for 2016, but not for 2017. Moreover, no independent evaluation of the impact of the key measures included in the draft budgetary plan for 2016 was provided, due to the existence of many evaluations.

**Some progress**:

**Some progress** has been made in making the spending review effective. The spending reviews may become an important tool to identify efficiency gains in public expenditure, despite the limited amount of savings generated by the first round of reviews that were considered in the draft budget for 2016.

**Some progress** has been made on limiting the rise in local authorities’
as planned, by setting more ambitious annual healthcare spending targets, containing pension costs, and streamlining family benefits and housing allowances. **Set a clear timetable for the ongoing decentralisation** process and take first steps by December 2014, with a view to eliminating administrative duplication, facilitating mergers between local governments and clarifying the responsibilities of each layer of local government. Reinforce incentives to streamline local government expenditure, by capping the annual increase in local government tax revenue while reducing grants from the central government as planned. Beyond the need for short-term savings, take steps to **tackle the increase in public expenditure on health projected over the medium and long term**, including in the area of pharmaceutical spending, and take additional measures when and where needed to **bring the pension system into balance by 2020** in a sustainable manner covering all schemes, with a special focus on existing special schemes and complementary schemes.

<table>
<thead>
<tr>
<th>Some progress</th>
<th>Limited progress</th>
<th>No progress</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Some progress</strong> has been made on the reform of local administration. Metropolitan areas have been introduced and the number of regions will be reduced. A further draft law streamlining the responsibilities of the various layers of local government is being discussed in parliament. An expenditure norm for local authorities has been introduced, but it is only indicative.</td>
<td><strong>Limited progress</strong> has been made, however, on addressing medium- and long-term increases in healthcare expenditure. The law on financing social security includes measures to curb the cost of pharmaceuticals through a managed entry agreement. A draft law on public health is to be discussed in parliament in early January. It proposes the development of the clinical pathway concept and a shift in the balance of the system from hospitals to ambulatory care with a view to increasing efficiency, while guidelines to reinforce prevention could also achieve cost-effectiveness in the longer term.</td>
<td><strong>No progress</strong> has been made on the pension system. The latest projections by the pensions monitoring committee show a deficit of EUR 1.4 billion in 2018 for the basic pension schemes. No new agreement on complementary pension schemes has been signed.</td>
</tr>
</tbody>
</table>

**sustainable over the long term.**

**Administrative expenditure.** The spending norm (ODEDEL) for local authorities has been further specified in the draft budgetary plan for 2016, but is indicative rather than binding, while its in-year execution has not been monitored yet.

**Substantial progress** has been made for the long-term sustainability of complementary pension schemes. On 30 October 2015 social partners agreed on a package of measures for complementary pension schemes (AGIRC-ARRCO) to improve the sustainability of complementary pension schemes, while strengthening incentives to work longer. According to social partners’ estimations, a slight deficit for complementary pension schemes would persist in 2030 only under the most pessimistic scenarios provided by the Conseil d’Orientation des Retraites.
<table>
<thead>
<tr>
<th>2. Ensure that the labour cost reduction resulting from the &quot;crédit d'impôt compétitivité emploi&quot; is sustained. Take action to further lower employer social security contributions in line with commitments under the responsibility and solidarity pact, making sure that no other measures offset its effect and that the targeting currently envisaged is maintained. Further evaluate the economic impact of social security contribution exemptions, putting the emphasis on employment, wage developments and competitiveness and take appropriate measures if necessary. Further reduce the cost of labour in a budget neutral way, namely at the lower end of the wage scale in particular through targeted reductions in employer social security contributions taking into account the various wage support schemes.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Some progress:</td>
</tr>
<tr>
<td><strong>Substantial progress</strong> has been made on the implementation of the tax credit for competitiveness and employment and the responsibility and solidarity pact and no measures have been adopted that would counteract its effects. Nonetheless, some of this progress could be eroded by rising wages.</td>
</tr>
<tr>
<td><strong>Some progress</strong> has been made on assessing the economic impact of social security exemptions with the second monitoring committee report on the tax credit for competitiveness and employment.</td>
</tr>
<tr>
<td><strong>Limited progress</strong> has been made in reducing the cost of labour at the lower end of the wage scale. No targeted reduction in the cost of labour for specific groups of workers (e.g. youth, long-term unemployed, older unemployed workers) has been announced. The government announced and began a merger of the two wage support schemes for low-wage earners (without an effect on the cost of labour or the budget).</td>
</tr>
<tr>
<td>3. Ensure that the labour cost reductions stemming from the tax credit for competitiveness and employment and from the responsibility and solidarity pact are sustained, in particular by implementing them as planned in 2016. Evaluate the effectiveness of these schemes in the light of labour and product market rigidities. Reform in consultation with the social partners and in accordance with national practices, the wage-setting process to ensure that wages evolve in line with productivity. Ensure that minimum wage developments are consistent with the objectives of promoting employment and competitiveness.</td>
</tr>
<tr>
<td>Some progress:</td>
</tr>
<tr>
<td><strong>Substantial progress</strong> has been made in pursuing measures to reduce the cost of labour. The 2016 budget leaves the tax credit for competitiveness and employment (CICE) unchanged and confirms the implementation of the second phase of reductions in employers’ social security contributions planned in the Responsibility and Solidarity Pact, albeit with a three months’ delay from the original timing. Moreover, the third report on the CICE was published in September 2015 and a first ex post evaluation of its effects, based on firm-level data, is planned for September 2016.</td>
</tr>
<tr>
<td><strong>Some progress</strong> has been made in reforming the wage-setting process. The law on social dialogue adopted in August 2015 enables companies, through majority agreements, to conclude wage agreements valid for up to three years instead of one year. Moreover, a reform of the labour code has been announced for 2016.</td>
</tr>
<tr>
<td><strong>Limited progress</strong> has been made in ensuring that minimum wage developments are consistent with the objectives of promoting employment and competitiveness. While no increase of the minimum wage was granted in 2014, its automatic annual indexation process was not modified.</td>
</tr>
<tr>
<td>3. <strong>Simplify companies' administrative, fiscal and accounting rules</strong> and take concrete measures to implement the Government's ongoing &quot;simplification plan&quot; by December 2014. <strong>Eliminate regulatory impediments to companies' growth</strong>, in particular by reviewing size-related criteria in regulations to avoid thresholds effects. <strong>Take steps to simplify and improve the efficiency of innovation policy</strong>, in particular through evaluations taking into account latest reforms and if necessary an adaptation of the &quot;crédit d'impôt recherche&quot;. Ensure that resources are focused on the most effective competitiveness poles and further promote the economic impact of innovation developed in the poles.</td>
</tr>
<tr>
<td>---</td>
</tr>
<tr>
<td><strong>Limited progress</strong></td>
</tr>
<tr>
<td><strong>Some progress</strong> has been made on the simplification plan, with a range of measures being proposed, e.g. in the draft law on economic activity, adopted and implemented. However, the overall complexity of the system remains high and progress may be counteracted by new regulations being passed or entering into force, as the ‘SME test’ is not yet systematically used and the independent authority in charge of monitoring the principle of zero additional charge has not yet been created.</td>
</tr>
<tr>
<td><strong>No progress</strong> has been made in reviewing size-related criteria in regulations. Failing an agreement between social partners on improving social dialogue, the government will adopt a law on improving social dialogue, including points that could make up for size-related thresholds, in the second quarter of 2015.</td>
</tr>
<tr>
<td><strong>Limited progress</strong> has been made in simplifying and improving the efficiency of innovation policy. A monitoring report on the implementation of the ‘crédit d’impôt recherche’ (CIR) in 2012 and a report</td>
</tr>
<tr>
<td>In 2015 the minimum wage increased by 0.6 percentage point more than inflation while unemployment continued rising.</td>
</tr>
</tbody>
</table>
on the evolution and impact of the CIR between 1983 and 2011 have recently been published and a new National Commission for the Evaluation of Innovation Policies has been set up.

**Limited progress** has been made in focusing resources on the most effective pôles de compétitivité and promoting their impact. The third phase has a stronger focus on impact and support from the State budget has been reduced in order to focus resources on the most successful pôles.

### 4. Remove unjustified restrictions on the access to and exercise of regulated professions and reduce entry costs and promote competition in services

Remove the restrictions on access to and the exercise of regulated professions, beyond the legal professions, in particular as regards the health professions as from 2015.

Some progress: Limited progress has been made in removing unjustified restrictions on access to and the exercise of regulated professions, notably the legal professions. For health professions, the healthcare law somewhat eases such restrictions and relaxes shareholding requirements for

<table>
<thead>
<tr>
<th>4. By the end of 2015, reduce regulatory impediments to companies' growth, in particular by reviewing the size-related criteria in regulations to avoid threshold effects.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Remove the restrictions on access to and the exercise of regulated professions, beyond the legal professions, in particular as regards the health professions as from 2015.</td>
</tr>
<tr>
<td>Some progress:</td>
</tr>
</tbody>
</table>
gas market with the European market. In the railway sector, ensure the independence of the new unified infrastructure manager from the incumbent operator and take steps to open domestic passenger transport to competition in line with the provisions of, and the calendar that will be decided by, the forthcoming directives.

The draft law on economic activity contains proposals to promote competition such, as the liberalisation of coach transportation and better regulation of the tolls on motorway franchises.

**Some progress** has been made in reducing the regulatory burden affecting the retail sector with the ‘Loi relative à l’artisanat, au commerce et aux très petites entreprises’ (ACTPE), aimed at simplifying the procedure for the establishment of retail outlets and the draft law on economic activity giving more powers to the Competition Authority. The ban on selling at a loss has not been removed.

**Some progress** has been made in reducing the regulatory burden affecting the retail sector with the ‘Loi relative à l’artisanat, au commerce et aux très petites entreprises’ (ACTPE), aimed at simplifying the procedure for the establishment of retail outlets and the draft law on economic activity giving more powers to the Competition Authority. The ban on selling at a loss has not been removed.

**Some progress** has been made on regulated gas and electricity tariffs for household consumers but there is still a cumulated electricity tariff deficit.

**Some progress** has been made on interconnection capacity. Some interconnection projects are under way, a joint strategy is being developed between Spain, France and Portugal and new priority projects have been selected.

Some progress has been made on regulated gas and electricity tariffs for household consumers but there is still a cumulated electricity tariff deficit.

Some progress has been made on interconnection capacity. Some interconnection projects are under way, a joint strategy is being developed between Spain, France and Portugal and new priority projects have been selected.

---

5. **Reduce the tax burden on labour** and step up efforts to simplify and increase the efficiency of the tax system. To this end, starting in the 2015 budget, take measures to: **Limited progress**

**Some progress** has been made on reducing the tax burden on labour with the actions described under CSR 2. Moreover, the bottom bracket of the tax system has been reduced. In addition, the tax burden on labour has been reduced with the actions described under CSR 2.

---

5. **Simplify and improve the efficiency of the tax system**, in particular by removing inefficient tax expenditure. To promote investment, take action to reduce the taxes on production and the corporate income tax.**Limited progress** has been made to simplify and improve the efficiency of the tax system. The 2016 budget phases out one tax expenditure (for an
**corporate income tax expenditures** on the basis of recent assessments and the "Assises de la fiscalité" initiative while reducing the statutory rates; take additional measures to remove the debt bias in corporate taxation; broaden the tax base, in particular on consumption; phase out environmentally-harmful subsidies.

Personal income tax (5.5 %) was abolished in the budget bill for 2015; so a single person whose net earnings are below EUR 9 690 will be tax-exempt.

**Limited progress** has been made on simplification and efficiency. The C3S for SMEs has been deleted in the 2015 budget at a cost of EUR 1 billion. On tax expenditures, there has been no progress as new fiscal measures in the 2015 budget law erode the tax base by EUR 2 billion.

**No progress** has been made on removing the debt bias in corporate taxation or on broadening the tax base.

**Limited progress** has been made with the introduction of an increase in excise duties (EUR 0.02/l of diesel) as a first step to phasing out environmentally harmful subsidies, and some progress is planned on the carbon tax. Remaining preferential taxation regimes for fuels, particularly diesel and especially for certain categories of users still constitute substantial environmentally harmful subsidies.

**Limited progress** has been made in statutory rate, while broadening the tax base on consumption. Take measures as from 2015 to abolish inefficient taxes that are yielding little or no revenue.

6. Take further action to combat labour-market rigidity, in particular take measures to reform the conditions 

**Limited progress** has been made in amount of EUR 3 million from 2018), extends some existing ones, and creates a new one. At EUR 83.3 billion, their total amount is expected to remain globally stable in 2016 (minus 1.2 % on 2015). The government has taken a first set of technical measures to implement a withholding tax system for personal income tax by 2018.

**Some progress** has been made to reduce the taxes on production (phasing out of C3S) but the effective average tax rate on corporations remains stable.

**Limited progress** has been made to raise the tax base on consumption, indirectly through the increase in environmental taxation. The 2016 budget increases the carbon tax levied on energy consumption, from EUR 14.5 to EUR 22 per tCO2. In addition, excise duties on fuels have increased.

**No progress** has been made in abolishing inefficient taxes. Out of the more than 100 identified by the Inspectorate-General of Finances (‘Inspection Générale des Finances’) in 2014, the 2016 budget deletes two, for a total amount of EUR 10 million, and creates five new ones.

6. Reform the labour law to provide more incentives for employers to hire on open-ended contracts.

**Limited progress** has been made in
of the "accords de maintien de l'emploi" to increase their take up by companies facing difficulties. Take additional measures to reform the unemployment benefit system in association with social partners, in order to guarantee its sustainability while ensuring that it provides adequate incentives to return to work. **Ensure that older workers benefit from adequate counselling and training** and re-assess the relevant specific unemployment benefit arrangements with respect to their situation on the labour market.

Facilitate take up of derogations at company and branch level from general legal provisions, in particular as regards working time arrangements. Reform the law creating the accords de maintien de l'emploi by the end of 2015 in order to increase their take-up by companies. Take action in consultation with the social partners and in accordance with national practices to reform the unemployment benefit system in order to bring the system back to budgetary sustainability and provide more incentives to return to work.

Higher social contributions for very short-term contracts have failed to provide more incentives for employers to hire on longer-term contracts, while the overall effect of the measures contained in the French Small Business Act announced by Prime Minister Manuel Valls on 9 June 2015 and adopted as part of the 2016 budget is unclear. A bonus of EUR 2 000 per year for two years was recently introduced for firms with fewer than 250 employees. This premium, however, concerns both permanent and fixed-term contracts of more than six months. Finally, the reform of the ‘justice prud’homale’ introduced by the Macron law (‘loi Macron’) could have reduced employers’ costs associated to hiring an employee on a permanent rather than a fixed-term contract but it was overturned by the French constitutional court.

**Limited progress** has been made in facilitating the take-up of derogations at company and branch level from general legal provisions. The reform of the labour regulation could grant more scope to company and branch level agreements to derogate from general legal provisions, but the details of the law are not yet known.

**Some progress** has been made in reforming the employment conservation agreements (‘accords de
7. Pursue the **modernisation of vocational education and training**, implement the reform of compulsory education, and take further actions to reduce educational inequalities in particular by strengthening measures on early school leaving. Ensure that active labour market policies effectively support the most vulnerable groups. **Improve the transition from school to work**, in particular by stepping up measures to further develop apprenticeship with a specific emphasis on the low-skilled.

**Some progress:**

**Some progress** has been made on the modernising vocational education and training; implementation of the reform of the vocational training system started on 1 January 2015.

**Some progress** has been made on the reform of compulsory education. The reform process is only about half way, as it covers 2013-17. While many measures have already been taken, it is unclear whether it will be possible to implement the entire, ambitious reform in the remaining period. It might also be difficult to reach some of the ambitious quantified objectives, which are nevertheless important drivers of implementation.

**Some progress** has been made with two new plans and measures targeting educational inequalities and early
school leaving. Their progressive implementation is in its initial phase.

**Some progress** has been made on active labour-market policies. The ‘jobs for the future’ scheme was further reinforced. Experimental targeted counselling and support to young people, ‘Youth Guarantee’, have been introduced. The new convention organising work for the main public employment services ‘Pôle emploi’ for 2015-2018’ set as an objective to strengthen support for jobseekers furthest away from the labour market, including the long-term unemployed and low-qualified, by doubling reinforced counselling measures from 230 000 in 2014 to 460 000 in 2017.

**Limited progress** has been made on the transition from school to work. The government set up a national plan to relaunch apprenticeships, reestablishing an incentive for SMEs and simplifying the tax on apprenticeships. More outreach to young people not in employment, education or training, and better coordination between key players, is necessary.
<table>
<thead>
<tr>
<th>Country Specific Recommendations 2014</th>
<th>Assessment of implementation of CSR 2014 (based on COM staff document)</th>
<th>Country Specific Recommendations 2015</th>
<th>Assessment of implementation of CSR 2015 (based on CSR staff document)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SGP: CSR 1 and MIP: CSR 1, 2, 3, 4, 5, 6, 7, 8</strong></td>
<td>1. Fully implement the budgetary measures adopted for 2014. <strong>Reinforce the budgetary strategy</strong>, further specifying announced measures for 2015 and 2016, and considering additional permanent, growth-friendly measures in order to ensure a sustainable correction of the excessive deficit by 2016. At the same time, ensure that the structural adjustment effort as specified in the Council recommendation under the Excessive Deficit Procedure is delivered. <strong>Align programme projections with ESA standards and Stability and Growth Pact requirements.</strong> Take measures to reinforce control over expenditure. By March 2015, <strong>carry out a thorough expenditure review.</strong> Reinforce the budgetary planning process, in particular by improving the accuracy of macroeconomic and budgetary forecasts and strengthening the binding nature of the annual and medium-term expenditure ceilings and improve the design of fiscal rules. By October 2014, ground in law the newly established Fiscal Policy Commission, strengthen its independence from all budgetary authorities and broadening its mandate. <strong>Limited progress</strong> in building on plans outlined in the National Reform Programme and presenting a concrete strategy to reform recurrent property taxation. <strong>Some progress</strong> in initiating a process to ensure a durable correction of the excessive deficit by 2016 by taking the necessary measures in 2015 and reinforcing the budgetary strategy for 2016. Publish and implement the findings of the expenditure review. <strong>Improve control over expenditure at central and local level, in particular by establishing a sanctioning mechanism for entities breaching budgetary limits.</strong> Adopt the Fiscal Responsibility Act and strengthen the capacity and role of the State Audit Office. <strong>Introduce a recurrent property tax and improve VAT compliance.</strong> Reinforce public debt management, in particular by publishing on an annual basis a debt management strategy and ensuring adequate resourcing. <strong>Limited progress</strong> in the publication and implementation of the spending review, as only some of the identified saving measures are being implemented (namely in the area of health care and the rationalisation of public agencies). Preparatory work has been undertaken on public-sector wage-setting. The findings of the review have not been published nor presented to Parliament. <strong>Limited progress</strong> in improving control over expenditure at central and local level, adopting the Fiscal Responsibility Act (FRA) and strengthening the capacity and role of the State Audit Office (SAO), as the government adopted a new standard form for fiscal impact assessments on new legislation and secured additional funding for the SAO. The adoption of the new FRA has been postponed. <strong>Limited progress</strong> in introducing a recurrent property tax and improving VAT compliance, as measures are being taken to improve tax</td>
<td><strong>SGP: CSR 1 and MIP: CSR 1, 2, 3, 4, 5, 6</strong></td>
<td><strong>Limited progress</strong> (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact): <strong>Limited progress</strong> in aligning programme projections with ESA standards and Stability and Growth Pact requirements. <strong>Limited progress</strong> on measures to improve control over expenditure. <strong>Some progress</strong> in carrying out a thorough expenditure review. <strong>Some progress</strong> in improving the budgetary planning process. <strong>Limited progress</strong> in grounding in law the newly established Fiscal Policy Commission, strengthening its independence from all budgetary authorities and broadening its mandate. <strong>Limited progress</strong> in building on plans outlined in the National Reform Programme and presenting a concrete strategy to reform recurrent property taxation. <strong>Some progress</strong> in initiating a process</td>
</tr>
</tbody>
</table>
monitoring of all fiscal rules and the ex ante and ex post assessment of forecasts, and ensure adequate resourcing. Building on plans outlined in the National Reform Programme, present a concrete strategy to reform recurrent property taxation. Initiate a process of reporting and reviewing of tax expenditures. Improve tax compliance, in particular by further enhancing the efficiency of the tax administration; present an action plan to this end by the end of 2014.

<table>
<thead>
<tr>
<th>Monitoring of all fiscal rules and the ex ante and ex post assessment of forecasts, and ensure adequate resourcing. Building on plans outlined in the National Reform Programme, present a concrete strategy to reform recurrent property taxation. Initiate a process of reporting and reviewing of tax expenditures. Improve tax compliance, in particular by further enhancing the efficiency of the tax administration; present an action plan to this end by the end of 2014.</th>
<th>Some progress in improving tax compliance and presenting an action plan on this by the end of 2014.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Limited progress:</td>
<td>2. Discourage early retirement by raising penalties for early exits. Improve the adequacy and efficiency of pension spending by tightening the definition of arduous and hazardous professions. Tackle the fiscal risks in healthcare.</td>
</tr>
<tr>
<td>Limited progress:</td>
<td>Limited progress in discouraging early retirement and improving the adequacy and efficiency of pension spending, as planned policy action to encourage particular categories of workers to stay in longer employment has been put on hold.</td>
</tr>
<tr>
<td>Limited progress:</td>
<td>Limited progress in tackling the fiscal risks in healthcare, as the reduction in arrears in the health care system is not proceeding according to plan even though the financial situation of the hospital sectors is improving overall.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2. Reduce access to early retirement. Adopt legislation by March 2015 to accelerate the planned harmonisation of statutory retirement ages of women and men and to advance the planned increase of the statutory retirement age to 67 years. Ensure enforcement of tighter disability pensions assessments and controls and accelerate the integration of pensions under special schemes into the general pension system. Strengthen the cost-effectiveness of the healthcare sector, including hospitals.</th>
<th>Limited progress:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Limited progress:</td>
<td>Limited progress in reducing access to early retirement, accelerating the planned harmonisation of statutory retirement ages, bringing forward the planned rise in the statutory retirement age to 67 years or integrating special scheme pensions more quickly into the general pension system. The number of disability pensions granted in 2014 is expected to have been substantially higher than in 2013 but lower than in previous years.</td>
</tr>
<tr>
<td>Some progress in making the healthcare sector more cost-effective.</td>
<td>3. Discourage early retirement by raising penalties for early exits. Improve the adequacy and efficiency of pension spending by tightening the definition of arduous and hazardous professions. Tackle the fiscal risks in healthcare.</td>
</tr>
<tr>
<td>Limited progress:</td>
<td>Limited progress in discouraging early retirement and improving the adequacy and efficiency of pension spending, as planned policy action to encourage particular categories of workers to stay in longer employment has been put on hold.</td>
</tr>
<tr>
<td>Limited progress in tackling the fiscal risks in healthcare, as the reduction in arrears in the health care system is not proceeding according to plan even though the financial situation of the hospital sectors is improving overall.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>3. Implement the second phase of the labour law reform, following consultation with the social partners, in particular as regards conditions for dismissals and working time, and with a view to preventing further labour</th>
<th>Some progress:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Some progress:</td>
<td>3. 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 compliance, including a gradual development of a compliance risks management system. A reform of communal charges, presented as a step in broader property taxation reform, has been initiated.</td>
</tr>
<tr>
<td>Limited progress in tackling the fiscal risks in healthcare, as the reduction in arrears in the health care system is not proceeding according to plan even though the financial situation of the hospital sectors is improving overall.</td>
<td></td>
</tr>
</tbody>
</table>

| Limited progress: | Limited progress in discouraging early retirement and improving the adequacy and efficiency of pension spending, as planned policy action to encourage particular categories of workers to stay in longer employment has been put on hold. |
| Limited progress in tackling the fiscal risks in healthcare, as the reduction in arrears in the health care system is not proceeding according to plan even though the financial situation of the hospital sectors is improving overall. |
market segmentation including for young people, by March 2015. **Review the wage-setting system** with a view to better aligning productivity developments and wage conditions. Present the conclusions of this review by the end of 2014. **Strengthen the effectiveness and reach of active labour market policies** by reinforcing the administrative capacities of the public employment services, including at regional level, and by increasing the coverage of the young, long-term unemployed and older workers. Prioritise outreach to non-registered youth and mobilise the private sector to offer more apprenticeships, in line with the objectives of a youth guarantee. Outline plans, by the end of 2014, to **address undeclared work**. Implement measures to improve the labour market relevance and quality of education outcomes by modernising the qualification systems, by putting in place quality assurance mechanisms and by improving school-to-work transitions, in particular through strengthening vocational education and work-based learning.

| **4. Review tax and benefits systems** by the end of 2014, and present an action plan to improve the reactivation of inactive and unemployed persons. **Strengthen the effectiveness and transparency of the social protection system** by further | **Some progress** in reviewing the wage setting system. The conclusions lack concrete policy proposals, however. **Some progress** in strengthening the effectiveness and reach of active labour market policies. **Substantial progress** in prioritising outreach to non-registered youth and mobilising the private sector to offer more apprenticeships. **Some progress** in outlining plans to address undeclared work. **Some progress** in implementing measures to improve the labour market relevance and quality of education outcomes. | **Some progress** in reviewing tax and benefits systems and presenting an action plan to improve the reactivation of inactive and unemployed persons. | **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** in strengthening incentives to take up paid employment and carrying out the reform of the social protection system as the consolidation of social benefits is proceeding slowly and concrete reform plans following the 2014 review have not yet been put forward. |
consolidating benefits, unifying eligibility criteria and linking data from all relevant levels and government entities in the "one-stop shop". **Improve the effectiveness and adequacy of social assistance benefits through their better targeting.**

| **5. Take further measures to improve the business environment.** In particular, by March 2015 set a target for considerably lowering administrative requirements, including para-fiscal charges. Address the high level of fragmentation and overlapping responsibilities by streamlining administrative processes and by clarifying the decision-making and accountability framework across various levels of government and at central government level between ministries and agencies. **Improve administrative capacity and strategic planning of units entrusted with the management of European Structural and Investment Funds and provide them with adequate and stable staffing levels.** | **Limited progress:**

**Limited progress in improving the business environment overall.** The authorities initiated measurement of administrative burdens. **Limited progress in reducing para-fiscal charges has been considerably slower than expected.**

**Limited progress in addressing the high level of fragmentation and overlapping responsibilities across various levels of government.**

**Some progress** in improving the administrative capacity and strategic planning of units managing European Structural and Investment Funds and providing them with adequate and stable staffing levels. | **6. Reinforce the pre-insolvency and insolvency frameworks for businesses in order to facilitate debt restructuring and put in place a personal insolvency procedure.**

**Strengthen the capacity of the financial sector to support the recovery in view of challenges from high non-performing corporate loans and foreign currency mortgage loans, and weak governance practices in some institutions.** | **Some progress:**

**Substantial progress** in reinforcing the pre-insolvency and insolvency frameworks for businesses and putting in place a personal insolvency procedure as implementation of the amended corporate insolvency legislation is expected to contribute to faster resolution of impaired debt and the legislative framework for personal insolvency entered into force, tough implementation could prove challenging.

**Some progress** in strengthening the capacity of the financial sector to support the recovery in view of challenges from high non-performing corporate loans. Although no additional measures to tackle the issue have been prepared, the non-performing loans (NPL) ratio is stabilising at a high level. The reform of the insolvency framework is expected to support a faster resolution of NPLs.
Limited progress in strengthening the capacity of the financial sector to support the recovery in view of challenges from foreign currency mortgage loans, as the CHF loan conversion legislation puts strain on public finances and causes substantial losses for banks.

Some progress in addressing the challenges from weak governance practices in some institutions, as there is a commitment from the authorities to carry out an asset quality review of the credit portfolio of the Croatian Bank for Reconstruction and Development (HBOR) in 2017.

4. Reduce the extent of fragmentation and overlap between levels of central and local government by putting forward a new model for functional distribution of competencies and by rationalising the system of state agencies. Increase transparency and accountability in the public corporate sector, in particular as regards managerial appointments and competency requirements. Advance the listing of minority packages of shares of public companies and privatisations.

Limited progress in reducing fragmentation and overlap between levels of central and local government as a comprehensive reform of local governance is lagging behind and the rationalisation of the agency system had been initiated but is currently on hold.

Some progress in increasing transparency and accountability in the public corporate sector, as new legislation on managerial appointments has been adopted, though it remains to be established how the new provisions will be implemented.

6. Present, by October 2014, a detailed plan for public property management for 2015. Ensure that companies under state control are governed in a transparent and accountable manner, in particular, strengthen the competency requirements for members of management and supervisory boards nominated by the State and introduce a public register for appointments. Reinforce prevention of corruption in public administration and state-owned and state-controlled enterprises, including by increasing the verification powers of the Conflict of Interest Commission. Strengthen transparency and efficiency of public procurement at both central and local levels, and the capacity to

Limited progress on improving the governance of companies under state control overall. The 2015 State Asset Management Plan was adopted in November 2014. The public appointments register has been made public.

Limited progress in reinforcing prevention of corruption. The new anti-corruption strategy has been adopted but it lacks a sufficient level of detail as to measures that will be implemented.
monitor implementation and to detect irregularities.

7. By the end of 2014, reinforce the role of commercial courts in the monitoring of transparency and legality in the application of the corporate pre-bankruptcy procedure. Review the compulsory test of insolvency/illiquidity to access pre-bankruptcy settlement proceedings and streamline the insolvency/liquidation process to reduce its length. Improve the quality and efficiency of the judicial system, in particular by providing incentives to resolve proceedings in litigious civil and commercial cases and in administrative cases in a timely manner and to resort to out-of-court settlement especially for smaller claims.

Limited progress: Some progress in improving the pre-insolvency and insolvency framework for corporate entities. The new Insolvency Law is expected to be adopted by parliament in the first quarter of 2015. The reform reinforces the role of commercial courts, facilitates access to the procedure and streamlines the insolvency/liquidation process.

Limited progress in improving the quality and efficiency of the judicial system overall. Implementing the reform of the judicial map could bring progress in improving the quality and efficiency of municipal, misdemeanour and county courts. Information and communication technology systems are being implemented in courts. No sufficient measures have been adopted to improve efficiency in litigious commercial cases. Some measures are planned to address efficiency in (first-instance) administrative cases.

5. Significantly, reduce parafiscal charges and remove excessive barriers for service providers. Identify and implement steps to improve the efficiency and quality of the justice system, in particular commercial courts.

Limited progress: Limited progress in significantly reducing parafiscal charges and removing excessive barriers for service providers as 12 parafiscal charges were reduced or abolished (and 1 added), but main barriers for service providers remain unresolved, especially in professional and business services.

Limited progress in identifying and implementing steps to improve the efficiency and quality of the justice system as proceeding and backlogs remain considerable and the use of electronic means to communicate with parties remains a challenge (despite some progress).
<p>| 8. Complement the 2014 European Central Bank's asset quality reviews and stress test exercises, undertake a comprehensive portfolio screening exercise designed specifically for the Croatian financial sector, with a focus on important portfolios that are not covered by the European Central Bank exercise and including key mid-size and smaller banks. | Substantial progress |   |   |</p>
<table>
<thead>
<tr>
<th>Country Specific Recommendations 2014</th>
<th>Assessment of implementation of CSR 2014 (based on COM staff document)</th>
<th>Country Specific Recommendations 2015</th>
<th>Assessment of implementation of CSR 2015 (based on COM staff document)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Reinforce the budgetary measures</strong></td>
<td><strong>Limited progress:</strong> (this overall assessment excludes an assessment of compliance with the Stability and Growth Pact):** Limited progress** was made to improve the efficiency and quality of public spending. Ministers were directly involved in selecting areas within their own budgets eligible for targeted savings without recourse to linear expenditure cuts as in the past. However, the need to preserve growth-enhancing expenditure items and improve the economic efficiency of the public administration would still require top-down coordination and monitoring. The identification of additional savings at regional level (EUR 4 billion in 2015) has been delayed.</td>
<td><strong>1. Achieve a fiscal adjustment</strong> of at least 0.25 % of GDP towards the medium-term budgetary objective in 2015 and of 0.1 % of GDP in 2016 by taking the necessary structural measures in both 2015 and 2016, taking into account the allowed deviation for the implementation of major structural reforms. Ensure that the spending review is an integral part of the budgetary process. Swiftly and thoroughly implement the privatisation programme and use windfall gains to make further progress towards putting the general government debt ratio on an appropriate downward path. <strong>Implement the enabling law for tax reform</strong> by September 2015, in particular the revision of tax expenditures and cadastral values and the measures to enhance tax compliance.</td>
<td><strong>Limited progress:</strong> (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact): <strong>Limited progress</strong> has been made regarding the spending review. Some positive spending review actions have been recently implemented in Italy, yet saving targets tend to be systematically lowered or underachieved. An encompassing intervention on tax expenditures and local public enterprises, as well as the implementation of the extension of centralised public procurement to the regional level are still pending. The deadline for the central government to reform the budgetary process towards a more performance-informed budgeting approach has been postponed.</td>
</tr>
<tr>
<td>for 2014 in the light of the emerging gap relative to the Stability and Growth Pact requirements, namely the debt reduction rule, based on the Commission services 2014 spring forecast and ensure progress towards the MTO. In 2015, significantly <strong>strengthen the budgetary strategy to ensure compliance with the debt reduction requirement and thus reaching the MTO.</strong> Thereafter, ensure that the general government debt is on a sufficiently downward path; carry out the ambitious privatisation plan; implement a growth-friendly fiscal adjustment based on the announced significant savings coming from a durable improvement of the efficiency and quality of public expenditure at all levels of government, while preserving growth-enhancing spending like R&amp;D, innovation, education and essential infrastructure projects. Guarantee the independence and full operationalisation of the fiscal council as soon as possible and no later than September 2014, in time for the assessment of the 2015 Draft Budgetary Plan.</td>
<td><strong>Limited progress</strong> was made with regard to privatisation. Privatisation proceeds in 2014 amounted to 0.2% of GDP (mainly related to the reimbursement of Monti bonds by Banca Monte dei Paschi), short of the target of 0.7% per year.</td>
<td><strong>Substantial progress</strong> was made with regard to the Italy's Fiscal Council, <strong>Some progress</strong> has been made regarding privatisations. Privatisation proceeds accounted for around 0.4 % of GDP in 2015, thanks to the operation related to ENEL and the successful initial public offering of the postal operator Poste Italiane. For 2016, projected privatisation proceeds earmarked to debt reduction amount to</td>
<td></td>
</tr>
</tbody>
</table>
which has been operational since September 2014. 0.5% of GDP but details are not yet available and significant downside risks remain (given also the recent postponement of the privatisation of Ferrovie dello Stato beyond 2016).

**Limited progress** has been made regarding the taxation reform. The enabling law for the reform of the tax system has been implemented by the foreseen deadline, featuring eight legislative decrees. Nevertheless, crucial aspects such as the reform of the outdated cadastral values and the systematic revision of tax expenditures were left out of its scope. Moreover, some of the implementing provisions, such as the higher threshold for cash payments and the revised sanctions system for tax-related offences raise doubts concerning their impact on tax evasion and avoidance. Last, but not least, simultaneously adopted tax reforms, such as the recent abolition of the property tax on first residences, appear at odds with the objective to broaden the tax base and shift the tax burden away from productive factors and onto property and consumption.

2. Further shift the tax burden from productive factors to consumption, property and the environment, in compliance with the budgetary targets. To this end, evaluate the effectiveness of the recent reduction in the labour tax wedge and ensure its financing for 2015, review the scope of direct tax

| Some progress: | Some progress was made in shifting taxation away from labour. A tax credit (of EUR 10 billion or 0.6% of GDP per year) was introduced for low-income earners in April 2014 and the labour component was excluded from |
expenditures and broaden the tax base, in particular on consumption. Ensure more effective environmental taxation, including in the area of excise duties, and remove environmentally harmful subsidies. Implement the enabling law for tax reform by March 2015, including by adopting the decrees leading to the reform of the cadastral system to ensure the effectiveness of the reform of immovable property taxation. Further improve tax compliance by enhancing the predictability of the tax system, simplifying procedures, improving tax debt recovery and modernising tax administration. **Pursue the fight against tax evasion and take additional steps against the shadow economy and undeclared work.**

3. As part of a wider effort to improve the efficiency of public administration, **clarify competences at all levels of Government.** Ensure better management of EU funds by taking decisive action to improve administrative capacity, transparency, evaluation and quality control both at national and regional level, especially in southern regions. Further enhance the effectiveness of anti-corruption measures, including by revising the statute of limitations by the end of 2014, and strengthening the powers of the national anti-corruption authority. Monitor in a timely manner the impact of the calculation of the regional business tax (IRAP) from Jan 2015. For new hires under open-ended contracts in 2015, private sector employers will not pay social security contributions for three years.

**Limited progress** was made on tax expenditures, environmental taxation, and removal of environmentally harmful subsidies.

**Some progress** was made to simplify procedures (including pre-filled tax returns) and improve compliance (including measures to prevent carousel fraud in VAT and facilitate voluntary disclosure). A report on tax evasion was published in October 2014, which assesses the tax gap (EUR 91 billion).

<table>
<thead>
<tr>
<th>2. <strong>Adopt the planned national strategic plan for ports and logistics,</strong> particularly to help promote intermodal transport through better connections. <strong>Ensure that the Agency for Territorial Cohesion is made fully operational so that the management of EU funds markedly improves.</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Limited progress</strong> was made to improve the efficiency of public administration, although some effort is under way. The Senate completed its first reading of the draft constitutional bill clarifying the competences of different levels of government. A draft enabling law envisaging a comprehensive reform of the public administration is currently being considered by the Senate. The agency for territorial cohesion is about to become operational.</td>
</tr>
</tbody>
</table>

**Some progress:**

**Limited progress** has been made regarding ports. The national strategic plan for port and logistics has been adopted, but the Constitutional Court accepted the Campania region’s plea for unconstitutionality as regions were not directly involved. After this problem has been overcome, the plan needs to be operationalised.

**Some progress** has been made regarding the management of EU funds. The Agency for Territorial Cohesion is now operational.
of the reforms adopted to increase the efficiency of civil justice with a view to securing their effectiveness and adopting complementary action if needed.

**Limited progress** was made in the fight against corruption. In particular, the process to revise the Italian statute of limitations is still in the initial phase. However, the powers of anti-corruption authority ANAC were enhanced and the new offence of self-laundering was introduced into the Italian criminal code.

**Some progress** was made towards improving the functioning of civil justice. Electronic filing in civil, administrative and tax-related trials became obligatory and the ‘office of proceedings’ was established. The possibility to transfer pending cases to arbitration and a new pre-trial procedure of ‘assisted negotiation’ (negoziazione assistita), mandatory in certain cases, was introduced. Simplification measures were also introduced. Further reforms are under way.

3. Adopt and implement the pending laws aimed at **improving the institutional framework and modernising the public administration**. Revise the statute of limitations by mid-2015. Ensure that the reforms adopted to improve the efficiency of civil justice help reduce the length of proceedings.

Furthermore, The department for cohesion policy has been reformed and is now part of the Prime Minister's office, but uncertainties remain in terms of staffing.

**Some progress:**

**Some progress** has been made regarding the reform of the institutional framework and public administration. The enabling law to reform the public administration has been adopted in August 2015. In January 2016, a first set of implementing decrees (inter alia dealing with state-owned enterprises, local public services, the simplification of the Conferenza dei Servizi, and the simplification and speeding up of administrative procedures) has been proposed by the government. The parliamentary discussion on the constitutional reform – allowing more stable parliamentary majorities, changing the role of the Senate and clarifying the division of competences between the various government levels – is still ongoing but progressing according to schedule: the final vote by the Chamber of Deputies is expected in April 2016. A new electoral law has been adopted in May 2015 and will enter into force as of July 2016.

**Limited progress** has been made regarding the fight against corruption.
Maximum penalties for corruption were raised, which in turn extended prescription terms, but the underlying structural problems relating to the statute of limitations remain. A draft law containing provisions to this end is still under parliamentary discussion.

Some progress has been made regarding the improvement of civil justice efficiency. The 2014 laws to reform the civil justice system are being implemented with some positive results. The digitalisation of civil trials has been mandatory at first instance since December 2014 and the possibility of electronic filing of the first exchange of statements between the parties in all first and second instance courts was introduced. The digitalisation of tax-related trials is still ongoing. The Ministry of Justice is continuing to pursue the so-called ‘Barbuto Plan’ and is implementing a multi-year project to reduce the backlog. Two enabling laws (on reforming the honorary magistracy and judges of peace, and streamlining civil procedural rules and reinforcing the specialisation of courts) are still under parliamentary discussion. Although these reforms can improve the functioning of the justice system, the latest evidence does not yet show positive results, in particular concerning the length of court proceedings.
4. Reinforce the resilience of the banking sector and ensure its capacity to manage and dispose of impaired assets to revive lending to the real economy. Foster non-bank access to finance for firms, especially small and medium-sized businesses. Continue to promote and monitor efficient corporate governance practices in the whole banking sector, with particular attention to large cooperative banks ('banche popolari') and the role of foundations, with a view to improving the effectiveness of financial intermediation.

<table>
<thead>
<tr>
<th>Substantial progress:</th>
<th>Some progress:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Some progress was made on the disposal of impaired assets, but the efforts were concentrated only in the largest banks, especially in the context of the European Central Bank's comprehensive assessment of the euro-area banking sector.</td>
<td>Some progress was made on addressing the corporate governance weaknesses in the banking sector. The Bank of Italy has strengthened the corporate governance of banks by requiring inter alia a clear distinction of responsibilities and powers of corporate governance bodies, the effectiveness of controls and a composition of governing bodies which is consistent with the size and the complexity of banks. Italy's largest cooperative banks (banche popolari) – i.e. those with more than EUR 8 billion assets – are required to transform themselves into joint-stock companies, thus abolishing the 'one head-one vote' rule. No specific initiative was taken yet on the role of foundations in Italy's banking sector.</td>
</tr>
</tbody>
</table>

4. By end-2015, introduce binding measures to tackle remaining weaknesses in the corporate governance of banks, implement the agreed reform of foundations, and take measures to accelerate the broad-based reduction of non-performing loans.

<table>
<thead>
<tr>
<th>Substantial progress:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Substantial progress has been made regarding the improvement of banks’ corporate governance. Two important governance reforms relating to large cooperative banks and bank foundations are under implementation, and a third one on small mutual banks has just been presented by the government.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Some progress:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Some progress has been made regarding the improvement of asset quality in the banking sector. Italy has passed a law intervening on the tax treatment of loan loss provisions and on the insolvency and foreclosure framework, which should contribute to the development of a private non-performing loan market. The authorities have also announced a state-aid-free guarantee scheme for NPL securitisations to achieve to significantly reduce the stock of impaired loans on banks' balance sheets. Although the growth of the NPL stock in the banking system has started to stabilise, it remains at a record high.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Some progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>Some progress was made towards facilitating and diversifying firms' access to finance. Measures include the strengthening of the allowance for corporate equity (ACE) framework, tax incentives for investment in mini-bonds by</td>
</tr>
</tbody>
</table>
institutional and foreign investors, the further enhancing of the Central Guarantee Fund for SMEs, the introduction of direct lending by insurance firms, incentives for SMEs to list themselves on the stock market, investment support programmes by Cassa Depositi e Prestiti (e.g. Nuova Sabatini), the extending of the existing research and development tax credit framework and the introduction of a favourable tax regime (‘Patent Box’) for revenues from the use or sale of patents and trademarks.

5. Evaluate, by the end of 2014, the impact of the labour market and wage-setting reforms on job creation, dismissals’ procedures, labour market duality and cost competitiveness, and assess the need for additional action. Work towards a more comprehensive social protection for the unemployed, while limiting the use of wage supplementation schemes to facilitate labour re-allocation. Strengthen the link between active and passive labour market policies, starting with a detailed roadmap for action by December 2014, and reinforce the coordination and performance of public employment services across the country. Adopt effective action to promote female employment, by adopting measures to reduce fiscal disincentives for second earners by March 2015 and providing adequate

<table>
<thead>
<tr>
<th>Some progress:</th>
<th>5. Adopt the legislative decrees on the design and use of wage supplementation schemes, the revision of contractual arrangements, work-life balance and the strengthening of active labour market policies. Promote, in consultation with the social partners and in accordance with national practices, an effective framework for second-level contractual bargaining. As part of efforts to tackle youth unemployment, adopt and implement the planned school reform and expand vocationally-oriented tertiary education.</th>
<th>Substantial progress:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Some progress was made to reduce segmentation, increase exit flexibility, reform passive and active labour market policies and foster participation. A broad-ranging enabling law for reforming the labour market was adopted in December 2014, with two important legislative implementing decrees on employment protection and the revision of unemployment benefits being already adopted and two, respectively on labour contracts and work-life balance, subject to the non-binding opinion of the Parliament. Other implementing legislative decrees (on active labour market policies, review of wage-supplementation schemes and inspections) are expected to follow before June 2015.</td>
<td>Full implementation has been achieved regarding the revision of wage supplementation schemes and contractual arrangements. The relevant legislative decrees following the Jobs Act have been adopted in June and September 2015.</td>
<td>Substantial progress has been made regarding work-life balance and active labour market policies. The relevant legislative decrees following the Jobs Act have been adopted in June and September 2015. However, considerable administrative, political and resource challenges have to be overcome for the implementation of the measures related to active labour market policies which starts in the beginning of 2016.</td>
</tr>
</tbody>
</table>
care services. Provide adequate services across the country to non-registered young people and ensure stronger private sector commitment to offering quality apprenticeships and traineeships by the end of 2014, in line with the objectives of a youth guarantee. To address exposure to poverty and social exclusion, scale-up the new pilot social assistance scheme, in compliance with budgetary targets, guaranteeing appropriate targeting, strict conditionality and territorial uniformity, and strengthening the link with activation measures. Improve the effectiveness of family support schemes and quality services favouring low-income households with children.

Limited progress was made on youth unemployment. The implementation of the Youth Guarantee started in May 2014 but take-up is limited.

Limited progress was made to address exposure to poverty. A pilot project on the social inclusion scheme (SIA) has been carried out in 12 metropolitan cities. Under the labour market reform, an unemployment assistance scheme is being established (ASDI).

Limited progress has been made regarding the decentralisation of wage bargaining. In January 2016, the three main trade unions agreed on a proposal for a new bargaining framework. However, an agreement with the employers’ associations still needs to be found. The 2016 Stability Law introduced tax incentives on productivity-related premiums agreed at decentralised level with the intention of fostering decentralised bargaining.

Substantial progress has been made regarding the reform of education. The school reform adopted in July 2015, and implementing decrees are to be adopted by January 2017.

6. Implement the National System for Evaluation of Schools to improve school outcomes in turn and reduce rates of early school leaving. Increase the use of work-based learning in upper secondary vocational education and training and strengthen vocationally-oriented tertiary education. Create a national register of qualifications to ensure wide recognition of skills. Ensure that public funding better rewards the quality of higher education and research.

Some progress:

Some progress was made in implementing the National System for Evaluation of schools, which is being phased in. A public consultation on the reform of the education system was closed in November 2014 and legislative follow up is expected in early 2015.

Some progress was made towards increasing the share of performance-related public funding for universities (from 13.5% in 2013 to 18% in 2014). Standard costs will gradually be introduced over 2014-18 as criteria for allocating the remaining share of
Limited progress was made on vocational training. The national register of qualifications is due to be ready by early 2015. More action is expected under the forthcoming broader reform.

Limited progress: Some progress was made simplify the regulatory environment for business and citizens. The government has adopted the ‘Simplification Agenda for 2015-17’ to foster cooperation between central and regional governments in establishing a more coherent simplification framework and measures have been taken to simplify authorisation procedures in environmental and construction matters.

Limited progress: Some progress was made in improving public procurement. Measures to rationalise public procurement have taken and a draft enabling law for the reform of the public procurement code was tabled government.

No progress: No progress was made to reform local public services. The deadline of end-2014 for rectifying contracts that do not comply with EU law has been postponed to end-2015. The observatory that is supposed to oversee

Limited progress: Some progress has been made regarding business environment simplification. The measures under the 2015-2017 simplification agenda are being implemented according to the timeline set. Progress reports are available on a dedicated website.

Limited progress: Limited progress has been made regarding the fostering of competition in services. The 2015 annual competition law presented by the government in early 2015 has been voted in first reading by the Chamber of Deputies, but it is currently still under discussion in the Senate. Moreover, some provisions have been watered down during the parliamentary process.

No progress: No progress has been made regarding the rectification of local public service contracts. At the end of 2015, no information was available on the number and extent of non-compliant contracts and their rectification. However, important provisions to
the implementation of relevant legislation is not yet operational. The draft enabling law for the reform of the public administration includes measures to reform local public services.

**Limited progress** was made to address restrictions on competition in other sectors, for which a ‘law for competition’ has been announced. In the banking sector, the regulation concerning the portability of bank accounts was improved. The rental market for non-residential large buildings was opened. Italy is actively participating in the mutual evaluation exercise provided for in the Directive amending the Professional Qualifications Directive but has yet to complete its review.

<table>
<thead>
<tr>
<th>8. Ensure swift and full operationalisation of the <strong>Transport Authority</strong> by September 2014. Approve the list of strategic infrastructure in the energy sector and enhance port management and connections with the hinterland.</th>
<th><strong>Limited progress</strong></th>
<th>See CSR 2.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Limited progress</strong> was made on the Transport Authority, which is now operational, although understaffed. <strong>Substantial progress</strong> was made with regard to strategic infrastructures in energy and ports. Decree-law 90/2014 sets out criteria for selecting strategic infrastructures and envisages a strategic plan for Italian ports but no concrete steps to implement it have been taken yet.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CY</td>
<td>Country Specific Recommendations 2014</td>
<td>Assessment of implementation of CSR 2014 (based on COM staff document)</td>
</tr>
<tr>
<td>----</td>
<td>--------------------------------------</td>
<td>--------------------------------------------------------------------------</td>
</tr>
<tr>
<td></td>
<td>To avoid duplication with measures set out in the Economic Adjustment Programme, there are no additional recommendations for Cyprus.</td>
<td>To avoid duplication with measures set out in the Economic Adjustment Programme, there are no additional recommendations for Cyprus.</td>
</tr>
</tbody>
</table>
Country Specific Recommendations 2014
SGP: CSR 1 and MIP: -

1. Preserve a sound fiscal position in 2014 and strengthen the budgetary strategy as of 2015, ensuring that the deviation from the medium-term objective remains limited to the impact of the systemic pension reform. Pursue efforts to further reduce the tax burden on low-income earners in the context of a shift towards more growth-friendly property and environmental taxes and by improving tax compliance and collection.

Assessment of implementation of CSR 2014
(based on COM staff document)

Some progress (this overall assessment of CSR 1 excludes an assessment of compliance with the Stability and Growth Pact):

- Some progress in reducing labour taxation, but measures could be better targeted at low-income earners.
- Limited progress in shifting taxation to other tax bases and environmental taxes. Subsidy for fuel used in agriculture was tightened Latvia still has a substantial potential to raise revenues from environmental and property taxation.
- Some progress in improving tax compliance and combating shadow economy.

Country Specific Recommendations 2015
SGP: CSR 1 and MIP: -

1. Ensure that the deviation from the medium-term budgetary objective in 2015 and 2016 is limited to the allowance linked to the systemic pension reform.

Assessment of implementation of CSR 2015
(based on COM staff document)

CSRs related to compliance with the Stability and Growth Pact will be assessed in spring once the final data will be available.

---

Country Specific Recommendations 2014
SGP: CSR 1 and MIP: -

2. Step up implementation of the higher education reform, in particular through the establishment of an independent accreditation agency and a financing model that rewards quality. Provide career guidance at all education levels, improve the quality of vocational education and training, including by strengthening apprenticeship, and make progress as regards the employability of young people including by putting in place outreach measures for non-registered

Assessment of implementation of CSR 2014
(based on COM staff document)

Some progress:

- Some progress in addressing higher education reforms: steps are taken to establish internationally-certified accreditation system and introduce new quality-promoting financing model.
- Some progress in improving the quality of vocational education and training and its apprenticeship component. The vocational education

Country Specific Recommendations 2015
SGP: CSR 1 and MIP: -

2. 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.

Assessment of implementation of CSR 2015
(based on COM staff document)

Some progress:

- Some progress has been made in improving vocational education. The Vocational Education Law provides for new institutions governing vocational education (Sectoral Expert Councils, convents) from May 2015, but no implementing regulations for their operation are yet provided. The curricula reform is progressing slowly (58 vocational education modular programmes (out of 240), 32

---

Country Specific Recommendations 2014
SGP: CSR 1 and MIP: -

2. Step up implementation of the higher education reform, in particular through the establishment of an independent accreditation agency and a financing model that rewards quality. Provide career guidance at all education levels, improve the quality of vocational education and training, including by strengthening apprenticeship, and make progress as regards the employability of young people including by putting in place outreach measures for non-registered
<table>
<thead>
<tr>
<th>3. Reform social assistance and its financing further to ensure better coverage, adequacy of benefits, strengthened activation and targeted social services. Increase coverage of active labour market policies. Improve the cost-effectiveness, quality and accessibility of the</th>
<th>Limited progress: <strong>Some progress</strong> in improving employability of young people, as most of the Youth Guarantee measures have started. Preparations for the young people not in employment, education or training-outreach project are underway. <strong>Limited progress</strong> in providing career guidance: the plans to improve career guidance are at an early stage. <strong>Some progress</strong> in introducing reforms of the public research organisations and research financing system. The government has launched plans to consolidate the research base and reform the financing of research performing institutions. However, it remains to be seen how this reform will be implemented and it needs adequate resources.</th>
<th>Limited progress: <strong>Some progress</strong> has been made in targeting research financing. The consolidation of research institutions is ongoing. The innovation support framework has been established, but implementation is at an early stage.</th>
</tr>
</thead>
<tbody>
<tr>
<td>youth not in employment, education or training. Take steps for a more integrated and comprehensive research system also by concentrating financing towards internationally competitive research institutions. and training curricula reform is in progress and some steps were made to strengthen vocational education and training governance, increase the role of employers and expand provision of work-based learning.</td>
<td><strong>Some progress</strong> in improving employability of young people, as most of the Youth Guarantee measures have started. Preparations for the young people not in employment, education or training-outreach project are underway.</td>
<td><strong>Limited progress</strong> has been made in social assistance reform. Several studies and policy documents were prepared, but the implementation is uncertain.</td>
</tr>
<tr>
<td>qualification exams (out of 242) and 80 occupational standards (out of 240) have been developed. The work-based learning pilot project runs from 2013, but an appropriate regulatory framework for work-based learning is not yet established.</td>
<td><strong>Some progress</strong> has been made towards a quality-oriented financing model for higher education. A new financing model has been put in place including quality-rewarding elements, but relatively little financing is provided for optimal development of the model. <strong>Limited progress</strong> has been made in targeting social services. Increase coverage of active labor market policies. Improve the cost-effectiveness, quality and accessibility of the</td>
<td><strong>Limited progress</strong>: Take concrete steps to reform social assistance, ensuring adequacy of benefits, and take measures to increase employability. <strong>Reduce the high tax wedge for low-income earners</strong> by shifting the tax burden to other sources less detrimental to growth. <strong>Take action to improve the</strong></td>
</tr>
<tr>
<td>3. Take concrete steps to reform social assistance, ensuring adequacy of benefits, and take measures to increase employability. <strong>Reduce the high tax wedge for low-income earners</strong> by shifting the tax burden to other sources less detrimental to growth. <strong>Take action to improve the</strong></td>
<td><strong>Limited progress</strong>: Take concrete steps to reform social assistance, ensuring adequacy of benefits, and take measures to increase employability. <strong>Reduce the high tax wedge for low-income earners</strong> by shifting the tax burden to other sources less detrimental to growth. <strong>Take action to improve the</strong></td>
<td><strong>Limited progress</strong>:</td>
</tr>
</tbody>
</table>
provision of targeted social services. A new programme targeting the long-term unemployed is to be launched.

**Limited progress** in increasing the coverage and effectiveness of active labour market policies: e.g., funding and the number of participants involved in active labour market policies will decrease in 2015 compared to 2014.

**Limited progress** in improving cost-effectiveness, quality and accessibility of health care system. In general, there is a clear under-financing of the healthcare sector that negatively affects access to healthcare for vulnerable groups.

**accessibility, cost-effectiveness and quality of the healthcare system** and link hospital financing to performance mechanisms.

its implementation is uncertain. The social assistance benefit adequacy has not improved since 2009.

**Some progress** has been made in increasing the employability of social assistance benefit recipients. Support for social assistance clients and long-term unemployed will be expanded from early 2016 (motivational programmes, addiction treatment, social and psychological support, health assessment) covering 20 000 unemployed by 2023 (50 000 were long-term unemployed in Q3-2015).

**Limited progress** has been made in reducing the high tax wedge for low-income earners by shifting the tax burden to other sources less detrimental to growth. The 2016 budget measures make labour taxation more progressive, but marginally reduce the high tax wedge on low wages. However, the tax burden has been shifted little to other sources less detrimental to growth.

**Limited progress** has been made in improving the accessibility, cost-effectiveness and quality of the healthcare system and in linking hospital financing to performance mechanisms. Access has been prioritised for critical medical cases, while financial constraints limit supply of services in general. Hospital budget envelopes are set considering
4. Accelerate the development of gas and electricity interconnections to neighbouring Member States to diversify energy sources and promote competition through improved integration of the Baltic energy markets. Pursue efforts to **further increase energy efficiency** in transport, buildings and heating systems.

**Some progress:**

**Some progress** in improving competition on the electricity and gas market: full opening of the electricity retail market from January 2015 and the first steps towards full gas market opening by 2017 (regulated third party access to infrastructure). With the completion of Klaipeda LNG terminal and two new regional electricity interconnectors in 2015 and 2016, the Baltic regional energy market will be stronger and energy supplies more diversified.

**Some progress** with adopting the new Energy Efficiency Law and putting in place energy efficiency obligation scheme to transpose the Directive (2012/27/EU); there is a persisting uncertainty as regards future renewable energy support framework.

**Some progress** in addressing energy efficiency in buildings, but limited effort to reduce greenhouse gas emissions in the transport sector (e.g., in 2013 Latvia's average CO2 emissions of new passenger cars were the highest in the EU).

5. Complete judicial reforms including the pending reforms of insolvency, arbitration and mediation

**Some progress:**

**Substantial progress with improving**

**Limited progress:**

**Some progress** has been made in historical case-based costs, but intra-year financing is not yet directly linked to actual costs per case.
frameworks to ensure a more business- and consumer-friendly legal environment. **Step up public administration reforms**, including by implementing state-owned enterprise management reform and increasing institutional and financial independence of the Competition Council.

<table>
<thead>
<tr>
<th><strong>Step up public administration reforms</strong></th>
<th><strong>Step up public administration reforms</strong></th>
<th><strong>Step up public administration reforms</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Improving the efficiency of the judicial system. Amendments to the civil procedure law entered into force in May 2015 extending the possibilities to redistribute cases to other courts. Some court specialisation has been introduced. A legislative proposal to strengthen the role of the Judicial Council is before the national parliament.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Limited progress</strong> in increasing the accountability of insolvency administrators. The key provisions of the legislative reform increasing the accountability of insolvency administrators were ruled out by the constitutional court on the ground of lack of proportionality. Some legislative changes improving insolvency proceedings were adopted.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Limited progress</strong> in implementing public administration reforms, establishing a credible and depoliticised state owned enterprise management system and strengthening institutional and financial independence of the Competition Council.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Some progress</strong> in improving the insolvency regime; however finalisation of secondary legislation and further accountability of insolvency practitioners is warranted.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Some progress</strong> in providing adequate means to fight tax evasion and by strengthening the role of the Judicial Council. <strong>Improve the public service legislation</strong> to strengthen the conflict of interest regime and link remuneration to responsibilities.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Limited progress</strong> in implementing public administration reforms, including by implementing state-owned enterprise management reform and increasing institutional and financial independence of the Competition Council.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Limited progress</strong> in implementing public administration reforms, including by implementing state-owned enterprise management reform and increasing institutional and financial independence of the Competition Council.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Some progress</strong> in implementing public administration reforms, including by implementing state-owned enterprise management reform and increasing institutional and financial independence of the Competition Council.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Some progress</strong> in improving the insolvency regime; however finalisation of secondary legislation and further accountability of insolvency practitioners is warranted.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Limited progress</strong> in implementing public administration reforms, including by implementing state-owned enterprise management reform and increasing institutional and financial independence of the Competition Council.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Limited progress</strong> in implementing public administration reforms, including by implementing state-owned enterprise management reform and increasing institutional and financial independence of the Competition Council.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Some progress</strong> in providing adequate means to fight tax evasion and by strengthening the role of the Judicial Council. <strong>Improve the public service legislation</strong> to strengthen the conflict of interest regime and link remuneration to responsibilities.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Limited progress</strong> in implementing public administration reforms, including by implementing state-owned enterprise management reform and increasing institutional and financial independence of the Competition Council.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Limited progress</strong> in implementing public administration reforms, including by implementing state-owned enterprise management reform and increasing institutional and financial independence of the Competition Council.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Some progress</strong> in providing adequate means to fight tax evasion and by strengthening the role of the Judicial Council. <strong>Improve the public service legislation</strong> to strengthen the conflict of interest regime and link remuneration to responsibilities.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Limited progress</strong> in implementing public administration reforms, including by implementing state-owned enterprise management reform and increasing institutional and financial independence of the Competition Council.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Limited progress</strong> in implementing public administration reforms, including by implementing state-owned enterprise management reform and increasing institutional and financial independence of the Competition Council.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Some progress</strong> in improving the efficiency of the judicial system. Amendments to the civil procedure law entered into force in May 2015 extending the possibilities to redistribute cases to other courts. Some court specialisation has been introduced. A legislative proposal to strengthen the role of the Judicial Council is before the national parliament.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Limited progress</strong> in increasing the accountability of insolvency administrators. The key provisions of the legislative reform increasing the accountability of insolvency administrators were ruled out by the constitutional court on the ground of lack of proportionality. Some legislative changes improving insolvency proceedings were adopted.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Some progress</strong> in providing adequate means to fight tax evasion. Administrative and legislative measures have been taken to improve tax collection, but some measures have not been passed. Further measures are included in the 2016 budget and the draft plan for tackling the shadow economy.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>No progress</strong> has been made in improving the public service legislation. The draft Public Service Law has not progressed in Parliament since February 2015. The conflict of interest regime has not been strengthened.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Country Specific Recommendations 2014</td>
<td>Assessment of implementation of CSR 2014 (based on COM staff document)</td>
<td>Country Specific Recommendations 2015</td>
</tr>
<tr>
<td>--------------------------------------</td>
<td>------------------------------------------------------------------------</td>
<td>--------------------------------------</td>
</tr>
<tr>
<td>1. Reinforce the budgetary measures for 2014 in the light of expenditure growth exceeding the benchmark and the emerging gap of 0.3 % of GDP in terms of structural effort based on the Commission services 2014 spring forecast, pointing to a risk of significant deviation relative to the preventive arm of the Stability and Growth Pact requirements. In 2015, strengthen the budgetary strategy to ensure the required adjustment of 0.5 % of GDP towards the medium-term objective. Thereafter ensure that the medium-term objective is adhered to. Complement the budgetary strategy with a further strengthened fiscal framework, in particular by ensuring binding expenditure ceilings when setting the medium-term budgetary framework. Further review the tax system and consider increasing those taxes that are least detrimental to growth, such as recurrent property and environmental taxation, while continuing to improve tax compliance.</td>
<td>Some progress (this overall assessment of CSR1 excludes an assessment of compliance with the Stability and Growth Pact): Some progress in strengthening the fiscal framework was made in 2014 as Lithuania transposed the Fiscal Compact into national law. However, the structurally balanced budget rule does not appear clearly centred on compliance with the medium-term objective and its adjustment path. In this respect, it is not unequivocally anchored to the EU fiscal framework. The credibility of the new fiscal framework is also weakened by loosely defined escape clauses, in particular in the event of a negative output gap. Limited progress in reviewing the tax system and improving tax compliance. Minor amendments have been made to increase environmental and property taxation and to narrow tax exemptions for capital income.</td>
<td>1. Avoid deviating from the medium-term budgetary objective in 2015 and ensure that the deviation in 2016 is limited to the allowance linked to the systemic pension reform. Broaden the tax base and improve tax compliance.</td>
</tr>
<tr>
<td>2. Adopt and implement legislation on a comprehensive pension system reform. In particular, align the statutory retirement age with life expectancy, restrict access to early</td>
<td>Limited progress: Limited progress in implementing a comprehensive pension system. The statutory retirement age is being</td>
<td>3. Adopt a comprehensive reform of the pension system that also addresses the challenge of achieving pension adequacy. Improve the coverage and adequacy of</td>
</tr>
<tr>
<td>3. Better target active labour market policy measures</td>
<td>Limited progress:</td>
<td>2. Address the challenge of a shrinking working-age population by improving the labour-market</td>
</tr>
<tr>
<td>---------------------------------------------------</td>
<td>-------------------</td>
<td>-----------------------------------------------------------------</td>
</tr>
<tr>
<td>to the low-skilled and long-term unemployed.</td>
<td>Limited progress</td>
<td>some progress has been made to measures to address the CSR under the legislative package on the so called 'social model', amendments to the Law on state social insurance pensions, the Law on unemployment social insurance, and the new edition of the Labour Code. However, it is uncertain whether they will be adopted by June 2016.</td>
</tr>
<tr>
<td></td>
<td>Some progress</td>
<td>measures to address the CSR under the legislative package on the so called 'social model', amendments to the Law on state social insurance pensions, the Law on unemployment social insurance, and the new edition of the Labour Code. However, it is uncertain whether they will be adopted by June 2016.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Limited progress on improving the coverage and adequacy of unemployment benefits and cash social assistance. Lithuania has announced measures to address the coverage and adequacy of unemployment insurance benefits. However, it is uncertain whether they will be adopted by June 2016. No measures are envisaged for improving the adequacy and coverage of social assistance and the employability of beneficiaries of cash social assistance.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Some progress on improving the employability of those looking for work. The legislative package on the so called 'social model' includes measures to foster job creation, but adoption by June 2016 remains uncertain. Lithuania has reinforced provision of ALMP measures, especially vocational training and employment subsidies.</td>
</tr>
</tbody>
</table>

retirement, establish clear rules for the indexation of pensions, and promote the use of complementary savings schemes. Underpin pension reform with measures that promote the employability of older workers.

increased gradually until 2026. However, at present the pension system does not have a model that takes into account the life-expectancy indicator and there are no clear rules for indexation of pensions. The government intends to address comprehensive pension reform as part of a wider social model approach but this remains to be consolidated and is not yet adopted.

**Some progress** in promoting the employability of older workers. Lithuania introduced financial support measures, but a comprehensive active ageing strategy is still missing.

Lithuanian pension scheme contains penalties for early retirement, and the share of people choosing early retirement is very low.
Improve coverage and adequacy of unemployment benefits and link them to activation. Address persistent skills mismatches by improving the labour-market relevance of education inter alia based on skills forecast systems and promote life-long learning. In order to **increase the employability of young people**, prioritise offering quality apprenticeships, other forms of work-based learning, and strengthen partnership with the private sector. Review the appropriateness of labour legislation, in particular with regard to the framework for labour contracts and for working-time arrangements, in consultation with social partners.

**Active labour market policy measures:**
the coverage is still low, still too much emphasis on ALMP measures that are less effective to provide sustainable employment.

**Limited progress** on coverage and adequacy of unemployment benefits and link to activation.

**Some progress** has been made on labour market relevance of education as several policy decisions were taken, directed at improved VET governance and strengthened cooperation with the private sector notably to offer more work based learning.

**Some progress** on addressing employability of young people.
Delivery of Youth Guarantee started, with improved partnerships but too early to assess effectiveness. Still need to provide more apprenticeships and increase their quality.

**Limited progress** on labour legislation. A number of legal acts has been amended but with limited effects. Government intends to address labour regulation as part of a wider social model but this remains to be consolidated and is not yet adopted. However the objective to combine in a single package the measures ensuring more flexibility to labour relations but also more security seems to go in the right direction.

**Relevance of education,** increasing attainment in basic skills, and improving the performance of the healthcare system; **reduce the high tax wedge for low-income earners** by shifting the tax burden to other sources less detrimental to growth.

**Limited progress** has been made on putting in place modular VET training programmes, on improving VET governance and on offering more work-based learning opportunities.

**Limited progress** has been made to improve the effectiveness of the health system. The government is working on measures to improve the efficiency and quality of the healthcare system.

**Limited progress** on reducing the high tax wedge for low income earners by shifting the tax burden to other sources less detrimental to growth. Although Lithuania made some progress in reducing low income earners’ tax burden, no progress was made in shifting the tax burden towards more growth friendly taxes; therefore the overall progress is limited. In addition, the government has scaled down the scope of newly introduced landfill taxes (contrary to previous plans).
4. Ensure adequate coverage of those most in need and continue to strengthen the links between cash social assistance and activation measures.

**No progress:**

The measures taken seem insufficient to tackle the increase of "at risk of poverty" share of the population. The progressive reduction of social benefits to long term beneficiaries could reduce the coverage of those most in need if they cannot find a job. The reform of cash social assistance - and the improved economic situation - resulted in a strong decrease of the expenditure and of the number of recipients. However the situation of those leaving the scheme is unclear.

The reduction of the cash social benefits has no direct link to the offer of effective ALPM measures, employment or training. The activation of social assistance beneficiaries is limited. About one third of all registered social beneficiaries are involved in "socially useful activities" of municipalities (max 40 hours / month) but there is no evidence that it leads to any improvement of the employability of the beneficiaries. In addition the recipient is not assured during the activity.

5. Complete the implementation of the reform of state-owned enterprises as planned; in particular by finalising the separation of commercial and non-commercial activities, further professionalising executive boards and

**Substantial progress:**

The government completed the separation of commercial and non-commercial activities, which are now disclosed in annual reports. It has
closely monitoring compliance with the requirements of the reform.

passed the law which identified the remaining economically relevant SOEs, which have to appoint independent board members by the end September 2015. It can therefore be expected that the CSR might be fully implemented by that time.

6. Step up measures to improve the energy efficiency of buildings, through a rapid implementation of the holding fund. Continue the development of cross-border connections to neighbouring Member States for both electricity and gas to diversify energy sources and promote competition through improved integration of the Baltic energy markets.

Some progress:

Some progress in improving the energy efficiency of buildings. After changing the funding model for housing renovation, applications as well as renovations picked-up in 2014, albeit from a low-level.

Some progress on diversifying energy sources. The Klaipeda LNG terminal was finalised and became operational in December 2014, while work on cross-border interconnectors continued as scheduled.
1. Preserve a sound fiscal position in 2014; significantly strengthen the budgetary strategy in 2015 to ensure that the medium-term objective is achieved and remain at the medium-term objective thereafter, in order to protect the long-term sustainability of public finances, in particular by taking into account implicit liabilities related to ageing. **Strengthen fiscal governance** by speeding up the adoption of a medium-term budgetary framework covering the general government and including multi-annual expenditure ceilings, and by putting into place the independent monitoring of fiscal rules. Further **broaden the tax base**, in particular on consumption.

<table>
<thead>
<tr>
<th>Country Specific Recommendations 2014</th>
<th>Assessment of implementation of CSR 2014 (based on COM staff document)</th>
<th>Country Specific Recommendations 2015</th>
<th>Assessment of implementation of CSR 2015 (based on COM staff document)</th>
</tr>
</thead>
<tbody>
<tr>
<td>SGP: CSR 1 and MIP: -</td>
<td>Some progress (this overall assessment of CSR 1 excludes an assessment of compliance with the Stability and Growth Pact): Luxembourg has made <strong>substantial progress</strong> concerning the adoption of a medium-term fiscal framework. A mid-term budgetary framework has been introduced with the adoption on 12 July 2014 of the law 'on the coordination and governance of public finances' that also contributes to ensuring that public finances remain compliant with the MTO. Following the adoption of the law, a multi-annual financing law was, for the first time, adopted by the Parliament in the frame of the 2015 budget. The law also foresees the creation a new independent body, the 'Conseil National des Finances Publiques', in charge of the monitoring of the fiscal rules. Luxembourg has made <strong>limited progress</strong> as to the broadening of the tax base. A 2 percentage-point increase in standard VAT rates was adopted on 18 December 2014 along with the 2015 budget. Luxembourg also decided an increase of the super reduced rate of 3% to the standard</td>
<td>1. <strong>Broaden the tax base</strong>, in particular on consumption, recurrent property taxation and environmental taxation.</td>
<td>No progress (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact): No progress in broadening the tax base, in particular for consumption. In 2015 a series of measures, which had been previously legislated, entered into force. In particular, all VAT rates (except the super-reduced one) were increase by 2%. In addition, all real estate investments, excluding main residences, as well as the consumption of alcoholic beverages have become subject to the standard rate. However, over the last year no additional reform to broaden the tax base has been announced. No progress in broadening the tax base of the recurrent property taxation. It is not sure that the reform of the recurrent property taxation will be included in the forthcoming tax reform. No progress as to the broadening of the tax base of environmental taxation. The increase of VAT rate on energy products had been previously legislated. Over the last year no additional reform to broaden the tax</td>
</tr>
</tbody>
</table>
rate of 17% for all real estate investments, excluding main residences, which is a new measure that broadens the tax base. However, Luxembourg still has a substantial potential to raise revenues from other growth-friendly sources, including environmental taxation.

2. In view of ensuring fiscal sustainability, curb age-related expenditure by making long-term care more cost-effective, pursue the pension reform so as to increase the effective retirement age, including by limiting early retirement, by aligning retirement age or pension benefits to change in life expectancy. Reinforce efforts to increase the participation rate of older workers, including by improving their employability through lifelong learning.

**Limited progress:**
Luxembourg has made no progress on long-term care expenditure. Long term care reform has been announced, but has not yet been implemented. A review of the long-term care system is to be completed before summer 2015, but implementation could take some time.

Luxembourg has made limited progress on early retirement. A draft bill on the reclassification of people with work disabilities has been presented to parliament. The abolition of some early-retirement schemes has been announced (people currently tend to retire at the age of 59.4 on average, thanks to the generous pension system in place).

Luxembourg has made limited progress on increasing the participation rate of older workers. A draft legislation was prepared in April 2014 to change the existing Code of

2. Close the gap between the statutory and effective retirement age, by limiting early retirement and by linking statutory retirement age to life expectancy.

**Limited progress:**
Limited progress in relation to closing the gap between the statutory and effective retirement age, by limiting early retirement. In July 2015 a draft law was presented in front of the Parliament to modify early retirement schemes. However, while one scheme has been abolished, for other pre-retirement schemes accessibility conditions have been eased. The net impact is not clear. Moreover, the draft law on the reclassification of workers with working disabilities has been adopted in July 2015 and implemented since 1 January 2016. The law increased the possibilities to remain in the labour market for workers with working disabilities and consequently imply a reduction in the number of people entering an early retirement scheme. Finally, according to the 2012 pension reform a monitoring and evaluation exercise of the sustainability of the pension system should be carried out every 5 years.
<table>
<thead>
<tr>
<th>3. Speed up the adoption of structural measures, in consultation with the social partners and in accordance with national practices, to <strong>reform the wage setting system</strong> including wage indexation with a view to improving the responsiveness of wages to productivity developments, in particular at sectoral level. <strong>Pursue the diversification of the structure of the economy</strong>, including by fostering private investment in research and further developing cooperation between public research and firms.</th>
<th>Work (Age Pact) of senior job seekers (aged above 50), but its adoption will likely not take place before the summer 2015. Additional measures on lifelong learning could help increase labour market participation by older workers and are worth to be continued.</th>
<th>since the adoption of the reform. The government confirmed its intention to advance the evaluation to 2016, compared to 2017 as originally planned, and created a Pension Working Group with the task to carry out the mentioned evaluation. <strong>No progress</strong> in linking statutory retirement age to life expectancy. No measures has been adopted or announced.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Limited progress</strong></td>
<td>Luxembourg has made <strong>no progress</strong> on the reform of the wage-setting scheme. A temporary modulation of the automatic indexation system ended in the end of 2014. Luxembourg has made <strong>limited progress</strong> on the diversification of its economy. Positive signs include the reinforcement of the country’s policy on clusters and the reforms of the public research organisations and of the National Research Fund, although their scope is limited given the dimension of the challenges of the Luxembourghish R&amp;I system. Adding to these reform efforts, the Luxembourgish government announced on 28 July 2014 the elaboration of thematic Research ‘Strategic plans’ aiming to coordinate research actors. Other reform projects at the feasibility study stage include</td>
<td>3. 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. <strong>No progress</strong> in reforming 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. The government did not take action in relation to the recommendation to review the wage-setting system. The current low inflation environment has led to a delay in application of the next wage indexation (the last one occurred in October 2013) and made the government action less urgent. In June 2015 the government has launched a study to analyse the impact of the sectors’ interaction on the wage evolution. The results of the study are expected by the first semester 2016.</td>
</tr>
</tbody>
</table>
4. Pursue efforts to reduce youth unemployment for low-skilled job seekers, including those with a migrant background, through a coherent strategy, including by further improving the design and monitoring of active labour market policies, addressing skills mismatches, and reducing financial disincentives to work. To that effect, accelerate the implementation of the reform of general and vocational education and training to better match young people's skills with labour demand.  

### Limited progress:

Luxembourg has made some progress as regards youth unemployment. Several initiatives have been adopted and the unemployment rate is on declining trend. Some progress as regards activation policies for young people. It has taken a number of relevant measures to tackle youth unemployment, notably by starting implementation of the Youth Guarantee, which is on track, but so far these have been only partially implemented. A coherent strategy is not in place. Stronger cooperation between administration levels (state, municipalities), involvement of social partners, and a more efficient use of employment services is due.  

No progress as regards reducing financial disincentives to work.  

No progress in addressing CSR 4 as regards the reform of secondary education and limited progress regarding the reform of vocational education and training. In order to address skill supply challenges there is a need to provide guidance to pupils...
5. Develop a comprehensive framework and take concrete measures to meet the 2020 target for **reducing greenhouse gas emissions** from non-ETS activities, especially through the taxation of energy products for transports.

<table>
<thead>
<tr>
<th>No progress:</th>
</tr>
</thead>
</table>

**No progress** in adopting measures to contribute to meeting the target for reducing non ETS greenhouse gas emissions. The second national climate action plan adopted in May 2013 did not specify any timeline for implementation and no concrete action has been taken yet. Overall, greenhouse gas emissions are expected to increase by 3% in 2020 compared to 2005, corresponding to a 23 percentage point gap with the target. 2013 emissions are expected to be 1% higher than the Effort Sharing Decision target.

**No progress** with respect to taxation on energy products for transport. The government announced a new study on the impact of energy tax reforms that is planned to be released in the course of 2015. Finally, in 2014, the authorities made the commitment to allocating approximately 30% (EUR 40 million) of the total 2014-2020 European Structural and Investment Funds received to support the shift towards a low carbon economy, which add to EUR 14 million of national co financing, an amount still low to bring about a substantial impact in this area.
| HU | **Country Specific Recommendations 2014**  
SGP: CSR 1 and MIP: CSR 1, 2, 3, 5 | **Assessment of implementation of CSR 2014**  
(based on COM staff document) | **Country Specific Recommendations 2015**  
SGP: CSR 1 and MIP: CSR 1, 2, 3 | **Assessment of implementation of CSR 2015**  
(based on COM staff document) |
| --- | --- | --- | --- | --- |
| 1. **Reinforce the budgetary measures** for 2014 in the light of the emerging gap relative to the Stability and Growth Pact requirements, namely the debt reduction rule, based on the Commission 2014 spring forecast. In 2015, and thereafter significantly **strengthen the budgetary strategy to ensure reaching the medium-term objective** and compliance with the debt reduction requirements in order to keep the general government debt ratio on a sustained downward path.  
**Ensure the binding nature of the medium-term budgetary framework** through systematic ex-post monitoring of compliance with numerical fiscal rules and the use of corrective mechanisms. **Improve the transparency of public finances**, including through broadening the mandatory remit of the Fiscal Council, by requiring the preparation of regular macro-fiscal forecasts and budgetary impact assessments of major policy proposals. | **Limited progress** (this overall assessment of CSR 1 excludes an assessment of compliance with the Stability and Growth Pact):  
**No progress** was made to implement the recently legislated medium-term budgetary framework. Government representatives announced that the issuance of the first resolution containing medium-term revenue and expenditure plans for the 2016-2018 period could take place in the first months of 2015.  
**Limited progress** in improving the transparency of public finances and broadening the mandatory remit of the Fiscal Council. While the legal task list of the Fiscal Council was not extended, it plays a slightly more prominent role through publishing commissioned studies. | 1. **Achieve a fiscal adjustment of 0.5% of GDP** towards the medium-term budgetary objective in 2015 and of 0.6% of GDP in 2016.  
**CSRs related to compliance with the Stability and Growth Pact will be assessed in spring once the final data will be available.** | 2. **Help restore normal lending flows to the economy**, inter alia by improving the design of and reducing the burden of taxes imposed on financial institutions. **Adjust the**  
**Limited progress** in restoring normal lending. Since mid-2013, lending has mainly relied on the subsidised | 2. **Take measures to restore normal lending to the real economy** and remove obstacles to market-based portfolio cleaning; considerably reduce the contingent liability risks  
**Some progress:**  
**Some progress** was made in taking measures to restore normal lending and removing obstacles to market
<table>
<thead>
<tr>
<th><strong>financial transaction duty</strong> in order to avoid diverting savings from the banking sector and enhance incentives for using electronic payments. Investigate and remove obstacles to portfolio cleaning inter alia by tightening provisioning rules for restructured loans, removing obstacles to collateral foreclosure as well as increasing the speed and efficiency of insolvency proceedings. In this respect, closely consult stakeholders on new policy initiatives and ensure that these are well-targeted and do not increase moral hazard for borrowers. Further <strong>enhance financial regulation and supervision.</strong></th>
<th><strong>lending schemes, which has managed to loosen supply constraints, but cannot substitute for a sound operating environment for banks on a permanent basis. No progress in reducing the surcharges on the financial sector. Moreover, the ongoing settlements with borrowers and other new regulatory measures (while improving consumer protection and the transparency of pricing) are estimated to result in substantial further losses for the financial sector.</strong></th>
<th><strong>linked to increased state ownership in the banking sector.</strong></th>
<th><strong>based portfolio cleaning. The authorities started to implement of commitments made in the Memorandum of Understanding with EBRD, including the considerable reduction of the tax on financial institutions. However, net lending to non-financial corporations does not show a revival yet. Asset quality of banks' balance sheet is being addressed through various initiatives (e.g. personal insolvency legislation, the capacity of the national Asset Management Company has been extended), but results are not yet visible.</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Some progress</strong> in the design of the financial transaction duty as the normal tax rate was replaced by a flat annual fee for card payments from 2015. <strong>Limited progress</strong> in incentivising portfolio cleaning. In the household sector, the National Asset Management Agency has contracted close to 25 000 (and completed the purchase of around 14 000) real estates by end-2014. For non-financial corporations, the MNB set up an Asset Management Company, primarily aimed at commercial real estates. Discussions are ongoing to ensure that the new institution is governed in compliance with EU rules. Consultation with stakeholders on new policy initiatives has been at best occasional. <strong>Substantial progress</strong> in financial linked to increased state ownership in the banking sector.</td>
<td><strong>based portfolio cleaning. The authorities started to implement of commitments made in the Memorandum of Understanding with EBRD, including the considerable reduction of the tax on financial institutions. However, net lending to non-financial corporations does not show a revival yet. Asset quality of banks' balance sheet is being addressed through various initiatives (e.g. personal insolvency legislation, the capacity of the national Asset Management Company has been extended), but results are not yet visible.</strong></td>
<td><strong>No progress</strong> was made in reducing the contingent liability risks. State ownership in the banking sector has rather been extended following the completion of the acquisition of Budapest Bank.</td>
<td></td>
</tr>
</tbody>
</table>
3. Ensure a stable, **more balanced and streamlined tax system for companies**, including by phasing out distortive sector-specific taxes. **Reduce the tax wedge for low-income earners**, inter alia by improving the efficiency of environmental taxes. **Step up measures to improve tax compliance** – in particular to reduce VAT fraud – and reduce its overall costs.

<table>
<thead>
<tr>
<th><strong>Limited progress</strong></th>
<th><strong>No progress</strong> in ensuring a more normative corporate tax regime. In contrast, a number of new sector specific taxes were introduced with a steep progressive schedule or existing ones were increased.</th>
<th><strong>Limited progress</strong> in reducing the tax wedge for low-earners. A doubling in the family tax allowance after two children is scheduled to be introduced in four linear steps way between 2016 and 2019. This measure will have only a minor effect on the tax wedge of a limited number of workers.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Some progress</strong> in the field of tax compliance. Following the successful completion of the establishment of on line links to cash-registers for retail outlets, the authorities are planning to extend this requirement to a number of market services. The threshold for itemised VAT declaration was lowered as of 2015. A new surveillance system has been established from January 2015, which will permit the real-time monitoring of the transport of VAT-liable goods.</td>
<td><strong>No progress</strong> in reducing the compliance costs of taxation. The</td>
<td><strong>Limited progress</strong> in reducing distortive sector-specific corporate taxes; remove the unjustified entry barriers in the service sector, including in the retail sector; reduce the tax wedge for low-income earners, including by shifting taxation to areas less distortive to growth; <strong>continue to fight tax evasion, reduce compliance costs</strong> and improve the efficiency of tax collection. <strong>Strengthen structures in public procurement</strong> that promote competition and transparency and further improve the anti-corruption framework.</td>
</tr>
<tr>
<td><strong>Limited progress</strong></td>
<td><strong>Some progress</strong> has been made in the reduction distortive sector-specific corporate taxes. The tax on financial institutions has been halved. In response to a suspension injunction by the European Commission, the progressive rates in the food inspection fee have been repelled. However, little change has been made regarding other sector-specific levies.</td>
<td><strong>Limited progress</strong> has been made in removing the unjustified entry barriers in the service sector. In the retail sector the high rates of the food safety inspection fee were lifted, but the overall level of restrictiveness remains high.</td>
</tr>
<tr>
<td><strong>Limited progress</strong> has been made to reduce the tax wedge for low-income earners. Steps have been taken (including a 1 pp. cut in the uniform tax rate of the personal income tax, and an increase of the family tax allowance for earners with two children) but measures are not sufficiently well targeted to achieve a significant effect for low-income earners.</td>
<td><strong>Substantial progress</strong> has been made</td>
<td></td>
</tr>
</tbody>
</table>
compliance burden impact of new measures, such as the launch of road cargo inspection system and a new system for local taxes, is not monitored.

Limited progress has been made in the reduction of compliance costs and the improvement of the efficiency of tax collection.

Limited progress has been made as regards promoting competition and transparency (e.g. through the adoption of the new Public Procurement Act, the compliance of which with EU law is still to be assessed), important actions are delayed, especially in the field of e-procurement, and the indicators on public procurement show that competition and transparency are still unsatisfactory in public procurement.

No progress has been registered in improving the anti-corruption framework. No changes are envisaged to make the new National Anti-corruption Programme more effective in preventing corruption and applying dissuasive sanctions. Prosecution of high-level corruption cases remains exceptional.

4. Strengthen well-targeted active labour market policy measures, inter alia by accelerating the introduction of Limited progress: Some progress has been made on 4. Reorient the budget resources allocated to the public work scheme to active labour market measures to No progress:

No progress has been made to
the client profiling system of the Public Employment Service. Put in place the planned youth mentoring network and coordinate it with education institutions and local stakeholders to increase outreach. **Review the public works scheme** to evaluate its effectiveness in helping people find subsequent employment and further strengthen its activation elements. Consider increasing the period of eligibility for unemployment benefits, taking into account the average time required to find new employment and link to activation measures. **Improve the adequacy and coverage of social assistance** while strengthening the link to activation. In order to alleviate poverty, implement streamlined and integrated policy measures to reduce poverty significantly, particularly among children and Roma.

active labour market policies as the preparation of the profiling system of the Public Employment Service is in progress according to the original schedule. Institutional changes in the public employment services have been launched which might jeopardize the coordination and implementation of active policy measures. **Some progress** for setting up of the mentor network in the framework of first Youth Guarantee active labour-market programme, but the Youth Guarantee is only partially meeting the challenge: the quality offer will be provided only within 6 months that raise concern whether sufficient human capacity at the Public Employment Service will be ensured for implementing the scheme. **No progress** has been made in revision of the public works scheme and its effectiveness has not improved. According to the 2015 budget, passive and active measures will rely more and more on public works while further improvement is needed to provide trainings and services required for open labour market participation. Limited progress in strengthening activation elements of the public works scheme as time will be allowed for attending job interview; further improvement is needed to provide trainings required by open labour market employers.

foster integration into the primary labour market; and improve the adequacy and coverage of social assistance and unemployment benefits. **Reorient** the budget resources allocated to the public work scheme to active labour market measures to foster integration into the primary labour market. The PWS is the main Active Labour Market Policy (ALMP) measure in Hungary. Its budgetary cost quadrupled over the last four years, to 0.8 % of GDP, and is expected to double again by 2018. Few public workers manage to find a job on the open labour market and there is a significant risk of a “lock-in” effect. In spite of the 2015 CSR, in 2015 the Hungarian government announced a further expansion of the scheme.

**No progress** has been made to improve the adequacy and coverage of social assistance and unemployment benefits. The duration of the unemployment benefit (UB) is 3 months, the shortest in the EU. In addition, the non-adjustment or freezing of amounts in the past years or new calculation rules have reduced the nominal value of many benefits. The recent reforms do not expand and could further restrict access conditions for a number of benefits and social services.
No progress has been made to increasing unemployment benefit. Activation element is strong during the unemployment benefit period as there is a co-operation obligation with the Public Employment Service.

Some progress has been made in modification of social assistance cash benefits: the new system will be more transparent however the adequacy and coverage is uncertain. It is strongly linked to activation.

Some programmes have been implemented for Roma inclusion and the monitoring system has been set up. However only limited progress has been made to general poverty reduction; poverty indicators do not improve significantly and streamlining and policy integration still missing.

5. Stabilise the regulatory framework and foster market competition, inter alia by removing barriers in the services sector. Take more ambitious steps to increase competition and transparency in public procurement, including better use of e-procurement and further reduce corruption and the overall administrative burden.

Limited progress:

No progress has been achieved to stabilise the regulatory framework and foster market competition, especially in the services sector.

A reorganisation of public procurement administration leading to changes in the structure and personnel of the system has been done in 2014, results remain to be seen. Hungary submitted an Action Plan in the context of fulfilling the ex-ante conditionalities for the European
Structural and Investment Funds. The Plan includes measures concerning the transposition of the new public procurement directives and the steps to foster inter alia competition and transparency, including measures on e-procurement. While this goes in the right direction, the implementation of the Action Plan needs to be closely monitored.

The uptake of e-procurement is featured in the Hungarian Government’s concept for the new Public Procurement Act. The integrity management system is established, but its effectiveness in dealing with corruption allegations needs to be proven. The government announced measures to improve the anti-corruption framework including new amendments to the whistle-blower law, introducing corruption risk assessments as part of the mandatory impact assessments and an information campaign on corruption prevention for different target groups. The implementation of the Cutting Red Tape programme was finalized in 2014 tackling administrative burden for some areas, however new measures introduced in other policy fields resulted in increased administrative burden.

6. Implement a national strategy on early school leaving prevention with a focus on drop-outs from vocational

Limited progress

Limited progress has been made on

5. Increase the participation of disadvantaged groups in particular Roma in inclusive mainstream

Limited progress

Limited progress has been made in
| Education and training. Put in place a systematic approach to promote inclusive mainstream education for disadvantaged groups, in particular Roma. Support the transition between different stages of education and towards the labour market, and closely monitor the implementation of the vocational training reform. **Implement a higher-education reform** that enables greater tertiary attainment, particularly by disadvantaged students. | early school leaving prevention. A national strategy was adopted in November 2014, implementation is yet to be seen. **Limited progress** has been made in promoting inclusive mainstream education; a systematic approach still needs to be developed. | 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. | increasing the chances of disadvantaged pupils, in particular Roma in inclusive mainstream education and preparing teachers for this. |
| **Limited progress** has been made in implementing a higher education reform that enables greater tertiary attainment of disadvantaged students. The adoption of a national higher education strategy by the government was announced in December 2014, including an increase of the national tertiary attainment target to 34%. | **Limited progress** has been made to support transition to the labour market. No action was taken to monitor the implementation of the vocational training reform and no measures have been taken are needed to support the transition between different stages of education. | **Limited progress** has been made in facilitating transitions between different stages of education. |
| **Limited progress** has been made in implementing a higher education reform that enables greater tertiary attainment of disadvantaged students. | **Limited progress** has been made in facilitating the transition from education to the labour market. | **Some progress** has been made in facilitating the transition from education to the labour market. |
| **Limited progress** has also been made in improving the teaching of key competences. | **Limited progress** in most Member States where price regulation still exists, the prices, network tariffs and methodology of their calculation are set by the regulator, but in Hungary, they continue to be practically set by the government while the regulator only gives its opinion. | **Limited progress** in increasing energy efficiency in particular in the residential sector. Further **increase the sustainability of** |
the transport system, inter alia by reducing operating costs and reviewing the tariff system of state-owned enterprises in the transport sector.

Limited progress as to more regulatory autonomy and reviewing policies to regulate prices.

Energy consumption has been decreasing in 2005-2012, even though energy intensity remains high by EU standards, especially for households. The country is on track in reaching its energy efficiency target, which was set at a fairly unambitious level. Limited progresses have been made in preparing and adopting the legislation necessary to increase energy efficiency. A number of subsidy programmes were announced, however no progress has been made in terms of the economic incentives to reduce energy use.

Some progress in restructuring the state-owned enterprises (MÁV and Volán), and in reducing the debt stock of MÁV. The reorganisation of Volán bus companies was finalised in January 2015. Some progress has been made in improving environmental sustainability thanks to gradual renewal of old rolling stock.
<table>
<thead>
<tr>
<th>MT</th>
<th>Country Specific Recommendations 2014</th>
<th>Assessment of implementation of CSR 2014 (based on COM staff document)</th>
<th>Country Specific Recommendations 2015</th>
<th>Assessment of implementation of CSR 2015 (based on COM staff document)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>SGP: CSR 1 and MIP: -</td>
<td>Substantial progress (this overall assessment of CSR 1 excludes an assessment of compliance with the Stability and Growth Pact).</td>
<td>SGP: CSR 1 and MIP: -</td>
<td>CSRs related to compliance with the Stability and Growth Pact will be assessed in spring once the final data will be available.</td>
</tr>
<tr>
<td></td>
<td>1. Correct the excessive deficit in a sustainable manner by 2014. In 2015, significantly strengthen the budgetary strategy to ensure the required structural adjustment of 0,6 % of GDP towards the medium-term objective. Thereafter, pursue a structural adjustment of at least 0,5 % of GDP each year, and more in good economic conditions or if needed to ensure that the debt rule is met in order to keep the general government debt ratio on a sustained downward path. Finalise the adoption of the Fiscal Responsibility Act with a view to putting in place a binding, rule-based multiannual fiscal framework and establishing an independent institution charged with the monitoring of fiscal rules and endorsing macroeconomic and fiscal projections underpinning fiscal planning. Continue improving tax compliance and fighting tax evasion by ensuring the continued roll-out and evaluation of measures taken so far, while taking additional action, in particular by promoting the use of electronic means of payment.</td>
<td>Fully addressed the recommendation on the fiscal framework. In July 2014, the Maltese parliament adopted the Fiscal Responsibility Act. It envisages the establishment of a Fiscal Council that would endorse the macroeconomic and fiscal projections prepared by the Ministry of Finance. In the first year following the adoption of the Act, its functions are carried out by the National Audit Office. The Fiscal Council has been formally appointed on 16 January 2015. Some progress in strengthening tax compliance and fighting tax evasion, but the tangible impacts of ongoing measures are not yet clear. Recent steps are proceeding in the right direction, but the pace of change could be accelerated, notably for the merger of tax departments. The first efforts to explore the promotion of electronic payment systems are encouraging, but as yet are restricted to the payment of taxes.</td>
<td>1. Following correction of the excessive deficit, achieve a fiscal adjustment of 0,6 % of GDP towards the medium-term budgetary objective in 2015 and 2016.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2. To ensure the long-term sustainability of public finances</td>
<td>Limited progress</td>
<td></td>
<td>3. To ensure the long-term sustainability of public finances,</td>
</tr>
</tbody>
</table>
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. Ensure that a comprehensive **reform of the public health system** delivers a cost-effective and sustainable use of available resources, such as strengthening primary care.

| 3. Continue policy efforts to address the labour-market relevance of **education and training** and by stepping up efforts on the reform of the apprenticeship system. Further improve basic skills attainment and **reduce early school leaving**, in particular by finalising and implementing the announced national literacy strategy. Further **improve the labour-market participation of women**, in particular those wishing to re-enter the labour market by promoting flexible working | **Some progress:**
Some progress in creating a single apprenticeship scheme has been done. A new Apprenticeship Unit has been created within the Malta College of Arts, Science and Technology as a single body responsible for the apprenticeship scheme. Further efforts are necessary in order to facilitate a prompt match of skills with the employers’ needs. Malta has made some progress on measures to further improve basic skills attainment and | **Some progress:**
Malta has made **limited progress** on the pensions system reform. Some new measures aiming to address both sustainability and adequacy concerns were proposed by the government in the 2016 Budget, following recommendations made by a Pension Strategy Group; however they haven't yet been reflected in the legislation. | 2. Take measures to **improve basic skills and further reduce early school-leaving** by promoting the continuous professional development of teachers. | **Some progress:**
Malta has made **some progress** in promoting the continuous professional development of teachers.

An institute for continuous professional development of teachers was set up.
reduce early school leaving. The National Literacy Strategy for All was launched in June 2014. The Early School Leaving Strategy was published in June 2014. An Early School Leaving Monitoring Unit within the Ministry of Education and Employment has been set up and an interministerial committee to steer and coordinate policy actions on early school leaving started its work in July 2014.

Some progress in addressing the female labour market participation through favouring work family balance is visible. Some steps to introduce flexible working arrangements in the private sector have been taken and measures targeting women with childcare obligations are being introduced. Improving participation of older women, both in terms of facilitating retention and reintegration into the labour market, as well as in terms of skills adjustments, needs further attention. Although some measures are being implemented, such as tax incentives and wage subsidies to inactive women above 40 who enter the labour market, their impact on employment needs to be further monitored. Limited attention has been given to measures for women who have other dependents such as elderly or people with disabilities. Overall, a positive result in terms of increasing
female participation in the labour market and improving work-family balance is observed.

4. **Diversify the energy mix in the economy**, including by increasing the share of energy produced from renewable sources.

   **Some progress:**
   Malta has made **some progress** on diversifying the energy mix by completing the construction of the electricity interconnector to mainland Europe and taking first steps to shift electricity production away from oil as well as on measures to increase energy efficiency.

5. Continue efforts to increase the efficiency and reduce the length of public procurement procedures; encourage alternatives to debt-financing of companies through facilitating access to capital markets and developing venture capital funds; and **increase the efficiency of the judicial system** by ensuring a timely and efficient implementation of the planned judicial reform.

   **Some progress:**
   **Substantial progress** on measures concerning public procurement procedures. The actual length of procurement procedures has dropped significantly from 191 days in 2013 (233 days in 2009) to 115 days in 2014. This reduction results notably from the introduction of mandatory e-procurement (e-notification, e-access and esubmission) since January 2013. In addition, the relevant government departments have been strengthened. The announced additional administrative capacity increase should consolidate the gains and reduce the duration of the procedure a bit further, thereby bringing Malta closer to the EU average.

   **Some progress** on measures to encourage alternatives to debt-financing of companies. A review of
the start-up scheme by Malta Enterprise in ongoing. The authorities have launched a venture capital platform to help startups and announced the Seed Investment Programme (to provide tax credits equivalent to investment made in start-ups).

**Limited progress** on measures to increase the efficiency of the Maltese judicial system which remains a challenge. Judicial reforms are planned but most of them are not yet implemented. They could be expected to produce positive effects in the medium and long term but this remains to be confirmed by the facts on the ground.

4. Improve small and micro-enterprises’ access to finance, in particular through non-bank instruments.

**Some progress:**
Malta has made **some progress** to improve SMEs and micro-enterprises’ access to finance. Measures to support SMEs access to non-bank financing should be further encouraged, including through more co-investment schemes with venture capital and business angels, by encouraging market uptake of crowdfunding and by taking advantage of the opportunities offered by EU funding programmes.
1. Following the correction of the excessive deficit, reinforce the budgetary measures for 2014 in the light of the emerging gap of 0.5% of GDP based on the Commission services 2014 spring forecast, pointing to a risk of significant deviation relative to the preventive arm of the Stability and Growth Pact requirements. In 2015, significantly strengthen the budgetary strategy to ensure reaching the medium-term objective and maintain it thereafter, and ensure that the debt rule is met in order to keep the general government debt ratio on a sustained downward path. **Protect expenditure in areas directly relevant for growth** such as education, innovation and research.

### Limited progress:

The implementation of income-related rent increases has only shown a small increase in rents on top of inflation. The introduction of a more market-based pricing mechanism (‘Huursombenadering’) to support households most in need.

### No progress:

The partial phasing out of mortgage interest tax deductibility has not been stepped up despite a recovery of the housing market and the economic environment.

### Some progress

**This overall assessment of CSR 1 excludes an assessment of compliance with the Stability and Growth Pact.**

2. When the economic environment allows, step up efforts to **reform the housing market** by accelerating the reduction in mortgage interest tax deductibility, by providing for a more market-oriented pricing mechanism in the rental market, and by further relating rents to household income in the social housing sector. **Monitor the effects of the social housing reforms** in terms of accessibility and affordability for low-income households. Continue efforts to **refocus social housing policies** to support households most in need.

### Limited progress:

**No progress:** The partial phasing out of mortgage interest tax deductibility has not been stepped up despite a recovery of the housing market and the economic environment.

### Limited progress:

The implementation of income-related rent increases has only shown a small increase in rents on top of inflation. The introduction of a more market-based pricing mechanism (‘Huursombenadering’) to support households most in need.

2. 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:

**No progress** on mortgage interest deductibility, as its partial phasing out has not been stepped up despite a recovery of the housing market and the economic environment.

### Some progress:

**Some progress** on a more market-based pricing mechanism. The measure to support mobility in the housing market (the rental sum approach ‘huursombenadering’) will be implemented in 2017.

### Substantial progress

**Substantial progress** on relating...
Some progress: Effects of the reforms on accessibility (reduction of waiting lists) and affordability of social housing and the number of tenants above the income threshold for social housing (‘scheefhuurders’) cannot be assessed yet.

Some progress: The government presented a law proposal for splitting the responsibilities between SGEI and non-SGEI. Social housing corporations can choose between a legal split and a weaker form of administrative split. This law proposal is planned to be adopted in 2015.

### 3. Implement reforms of the second pillar of the pension system, ensuring an appropriate intra- and inter-generational distribution of costs and risks.
Underpin the gradual increase of the statutory retirement age with measures to improve the employability of older workers.

**Substantial progress:**

**Limited progress:** has been made in reducing pension contributions for young workers. On 6 July 2015, the government announced its intention to substantially reform the second pension pillar in order to create a more transparent and actuarially fairer system. There is agreement in the country that reform is necessary, but the specifics need to be decided.

**Limited progress** has been made in reducing pension contributions for young workers. On 6 July 2015, the government announced its intention to substantially reform the second pension pillar in order to create a more transparent and actuarially fairer system. There is agreement in the country that reform is necessary, but the specifics need to be decided.
quality of services and monitor its effects. assessment framework were adopted in 2014.

**Fully addressed:** The Netherlands has continued taking measures to improve older workers’ employability and to increase mobility and participation of older workers. The law proposals for reform of the unemployment benefit system and the employment protection legislation have been adopted and additional measures aimed at older workers’ employability have been taken (‘Actieplan 50+ werkt’). The effective retirement age and older workers’ labour participation in the Netherlands keep increasing.

**Some progress:** The comprehensive reforms of the long-term care system have all been adopted by the parliament and have entered into force on 1 January 2015. The government took additional measures to ensure smooth transition of the responsibilities for parts of the long term care system to municipalities and private insurers but the effects of the reform remain to be seen.

### 4. Take further measures to enhance labour market participation particularly among people at the margins of the labour market and to reduce tax disincentives on labour.

**Implement reforms of employment protection legislation**

**Some progress:**

**Substantial progress:** Most of the labour market reforms aimed at increasing labour participation of people at the margin of the labour market were adopted by the
and the unemployment benefit system, and further address labour market rigidities. In consultation with the social partners and in accordance with national practice, allow for more differentiated wage increases by making full use of the existing institutional framework.

parliament during the summer of 2014. The participation act has been implemented as of 1 January 2015. The Quota act, following the agreement between the government and social partners to hire at least 125 000 people with a disability, has been sent to the parliament and is expected to be adopted at the beginning of 2015. The reforms constitute a major shift of responsibilities to the municipalities. The smooth transition will be supported by the government.

Some progress: Important tax measures to provide incentives to work have been implemented. This includes increasing labour tax credits for lower incomes and simplifying child schemes in a way that makes working more attractive, especially for single parents. In September 2014, a comprehensive reform of the Dutch tax system was announced. This reform, which could include a tax shift from labour to other forms of taxation, which are less detrimental to the Dutch economy, such as taxation of property, environment and consumption, still needs to be elaborated.

Some progress: Reforms of the unemployment benefit system and employment protection legislation have been adopted and will be gradually implemented in the course
of 2015. The way these reforms affect labour market mobility and reduce labour market duality remains to be seen.

**No progress:** As regards wage developments, the government has made clear that this is solely a task for the social partners. No national policies will be implemented in this field.
### Country Specific Recommendations 2014

**SGP: CSR 1 and MIP: -**

#### Assessment of implementation of CSR 2014

(based on COM staff document)

**Limited progress** (this overall assessment of CSR 1 excludes an assessment of compliance with the Stability and Growth Pact).

Some progress has been made to reinforce the budgetary measures for 2014.

**Limited progress** on strengthening the budgetary strategy for 2015.

**No progress** on streamlining fiscal relations between layers of government.

---

### Country Specific Recommendations 2015

**SGP: CSR 1 and MIP: -**

#### Assessment of implementation of CSR 2015

(based on COM staff document)

**Limited progress** (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact):

Some progress in ensuring the budget neutrality of the tax reform as several financing measures have been implemented. However, these consist to a large extent in measures against tax fraud, the yields of which are intrinsically uncertain.

**Limited progress** in correcting the misalignment between the financing and spending responsibilities of the different levels of government as no concrete proposals have been put forward so far, although accounting rules for sub-national governments have been harmonised (effective as of 2019/2020).

**Limited progress** in ensuring the long-term sustainability of the pension system. The effective retirement age has risen, but it still remains below the statutory retirement age. Furthermore, the positive budgetary effects of the measures taken to restrict access to early retirement still need to materialise.

---

1. Following the correction of the excessive deficit, **reinforce the budgetary measures** for 2014 in the light of the emerging gap of 0.5% of GDP based on the Commission services 2014 Spring forecast and after taking into account additional consolidation measures announced by Austria, pointing to a risk of significant deviation relative to the preventive arm of the Stability and Growth Pact requirements. In 2015, significantly strengthen the budgetary strategy to ensure that the medium-term objective is reached and, thereafter, maintained, and ensure that the debt rule is met in order to keep the general government debt ratio on a sustained downward path. **Further streamline fiscal relations between layers of government**, for example by simplifying the organisational setting and aligning spending and funding responsibilities.

1. **Avoid deviating from the medium-term budgetary objective** in 2015 and 2016. Ensure the budget neutrality of the tax reform aimed at reducing the tax burden on labour. Correct the misalignment between the financing and spending responsibilities of the different levels of government. **Take measures to ensure the long-term sustainability of the pension system**, including by earlier harmonisation of the statutory retirement age for men and women, and link the statutory retirement age to life expectancy.
2. **Improve the long-term sustainability of the pension system**, in particular by bringing forward the harmonisation of the statutory retirement age for men and women, by increasing the effective retirement age and by aligning the retirement age to changes in life expectancy. Monitor the implementation of recent reforms restricting access to early retirement. Further improve the cost effectiveness and sustainability of healthcare and long-term care services.

<table>
<thead>
<tr>
<th><strong>2. Strengthen measures to increase the labour market participation of older workers as active labour market policy for this group has been intensified and employers have been incentivised to provide age-friendly working conditions and employ older workers, although the employment rate of older workers remains below the EU average.</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Limited progress:</strong></td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

| **Some progress:** | **Some progress has been made on increasing the effective retirement age, through recent reforms restricting access to early retirement. However, other measures to make the pension system more sustainable in the long term are lacking.** |
| **Some progress on improving the cost-effectiveness and sustainability of healthcare and long-term care services by continuing to implement healthcare reform.** |

3. **Reduce the high tax wedge on labour for low-income earners by shifting taxation to sources less detrimental to growth, such as recurrent taxes on immovable property, including by updating the tax base. Reinforce measures to improve labour market prospects of people with a migrant background, women and older workers. This includes further improving childcare and long-term care services and the recognition of**

<table>
<thead>
<tr>
<th><strong>Limited progress:</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>No progress</strong> on reducing the tax wedge on labour, although a forthcoming reform has been announced for next spring. <strong>Some progress</strong> on older workers' labour market participation. Austria has made some progress, especially on improving measures to make individual older workers more employable. <strong>Some progress in increasing the labour market participation of older workers as active labour market policy for this group has been intensified and employers have been incentivised to provide age-friendly working conditions and employ older workers, although the employment rate of older workers remains below the EU average.</strong></td>
</tr>
</tbody>
</table>
migrants’ qualifications. **Improve educational outcomes** in particular for disadvantaged young people including those with a migrant background, by enhancing early childhood education and reducing the negative effects of early tracking. Further improve strategic planning in higher education and enhance measures to reduce dropouts.

**Limited progress** on improving the labour market prospects of people with a migrant background, through improvements in the recognition progress and efforts to make the Austrian labour market more attractive to highly qualified migrants.

**Limited progress** on increase of labour market prospects of women.

**Some progress** on increasing provision of childcare facilities and long-term care services.

**Limited progress** on further raising the educational achievement of disadvantaged people by improving education and higher education and reducing the negative impact of early tracking.

**Limited progress** on further improving strategic planning in higher education and on cutting the drop-out rate.

4. **Remove excessive barriers for services providers**, including as regards legal form and shareholding requirements and with respect to setting up interdisciplinary services companies. Review whether restrictions on entry into and conduct in regulated professions are

| Limited progress | Limited progress in increasing the labour market participation of women as the provision and quality of childcare and all-day schools that are compatible with full-time employment remain inadequate. |
| Limited progress in increasing the labour market participation of women by providing long-term care facilities that are compatible with full-time employment. |
| Limited progress in improving the educational achievement of disadvantaged young people as socioeconomic background continues to have a negative impact on the educational outcomes of young people in Austria, in particular of those with a migrant background, although Austria increasingly acknowledges the importance of improving educational outcomes by proposing reforms aimed at boosting the quality of compulsory education and early childhood education. The recent reforms do not address early tracking (ability grouping) from the age of 10. |

3. **Remove disproportionate barriers for service providers** and impediments to setting up interdisciplinary companies.

| Limited progress in removing disproportionate barriers for service providers and impediments to setting up interdisciplinary companies. |

**Limited progress** in removing disproportionate barriers for service providers and impediments to setting up interdisciplinary companies. Austria has been assessing the proportionality of its
| 5. Continue to closely oversee and advance effectively the orderly restructuring of the nationalised and partly nationalised banks. | Substantial progress: The bad bank of Hypo Alpe-Adria, Heta Asset Resolution, was formally set up at the beginning of November 2014. The sale of SEE subsidiaries of Hypo Alpe Adria to Advent International and EBRD was finalised on 23 December 2014. As part of its restructuring plan, OEVAG sold its largest subsidiary (Volksbanken Romania) to Banca Transilvania in December 2014. | 4. Address the potential vulnerabilities of the financial sector in terms of foreign exposure and insufficient asset quality. | Some progress: in addressing the potential vulnerabilities in the financial sector as supervisory measures have helped to limit the impact of deteriorating asset quality in the CESEE and CIS region on the profitability and capitalisation of Austrian banks, including improving their funding structure and contributing to the expansion of local funding sources. | proportionate and justified by general interest. Identify the reasons behind the low value of public contracts open to procurement under EU legislation. Substantially strengthen the resources of the Federal Competition Authority. The existing restrictions. **Limited progress:** Austria is playing an active part in the mutual evaluation for which the Directive amending the Professional Qualifications Directive provides. However, no major changes can be expected before the evaluation is completed in January 2016. More generally, there seems to be limited political will to implement substantive reforms in this area. **No progress:** Austria has not yet taken any action to strengthen the resources of the Federal Competition Authority. Owing to budgetary constraints and a lack of political will, no future actions are planned. Regulated professions as part of the mutual evaluation of regulated professions. A new post-evaluation instrument for all legal acts has been introduced along with a new harmonised electronic registration system for trades. However, there will be no significant reforms of the existing regulated professions. An inter-ministerial working group was set up in November 2015 to develop proposals to address multidisciplinary restrictions, but it has not yet presented any findings. Austria also indicated that it planned to remove restrictive statutory seat (headquarters) requirements for companies of architects, engineers and patent attorneys. |
1. Reinforce the budgetary strategy to ensure the correction of the excessive deficit in a sustainable manner by 2015 through achieving the structural adjustment effort specified in the Council recommendation under the Excessive Deficit Procedure. After the correction of the excessive deficit and until the medium-term objective is achieved, pursue an annual structural adjustment of 0.5% of GDP as a benchmark. A durable correction of the fiscal imbalances requires a credible implementation of ambitious structural reforms to increase the adjustment capacity and boost growth and employment. In that regard, minimise cuts in growth-enhancing investment, improve the targeting of social policies and the cost effectiveness of spending and the overall efficiency of the healthcare sector, broaden the tax base for example by addressing the issue of an extensive system of reduced VAT rates, and improve tax compliance, in particular by increasing the efficiency of the tax administration. Establish an independent fiscal council.

<table>
<thead>
<tr>
<th>Country Specific Recommendations 2014</th>
<th>Assessment of implementation of CSR 2014 (based on COM staff document)</th>
<th>Country Specific Recommendations 2015</th>
<th>Assessment of implementation of CSR 2015 (based on COM staff document)</th>
</tr>
</thead>
<tbody>
<tr>
<td>SGP: CSR 1 and MIP: -</td>
<td><strong>Limited progress</strong> (the overall assessment of CSR 1 excludes an assessment of compliance with the Stability and Growth Pact):</td>
<td>SGP: CSR 1 and MIP: -</td>
<td><strong>No progress</strong> (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact):</td>
</tr>
<tr>
<td></td>
<td><strong>Limited progress</strong> in improving the targeting of social policies. The National Programme for the Prevention of Poverty and Social Exclusion was adopted and some measures supporting large families were introduced. The minimum qualifying income for family benefits has been raised.</td>
<td></td>
<td><strong>No progress</strong> has been made regarding the fiscal council.</td>
</tr>
<tr>
<td></td>
<td><strong>Limited progress</strong> in improving the cost effectiveness and the overall efficiency of the healthcare sector. The “waiting lists package” and the “oncology package” have come into force. Annual Health Needs Maps are being introduced. National Health Programme and new Public Health law is being prepared by the government.</td>
<td></td>
<td><strong>No progress</strong> has been made on VAT rates.</td>
</tr>
<tr>
<td></td>
<td><strong>No progress</strong> in broadening the tax base</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>No progress</strong> in establishing an independent fiscal council.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Some progress</strong> in increasing the efficiency of the tax administration: steps were taken to consolidate the</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
1. Reform of the highly fragmented tax administration and to ensure more support to taxpayers; reform of customs administration has been proposed to facilitate customs procedures for businesses and stronger anti-corruption measures were introduced.

2. Strengthen efforts to reduce youth unemployment, in particular by further improving the relevance of education to labour market needs, increasing the availability of apprenticeships and work-based learning places and by strengthening outreach to unregistered youth and the cooperation between schools and employers, in line with the objectives of a youth guarantee. Increase adult participation in lifelong learning in order to adjust skills supply to skills demand. Combat labour market segmentation by stepping up efforts to ensure a better transition from fixed-term to permanent employment and by reducing the excessive use of civil law contracts.

**Some progress:**
- Some progress has been made in strengthening efforts to reduce youth unemployment. The Youth Guarantee including a number of activation measures have been implemented.
- Limited progress in strengthening outreach to unregistered youth. The Youth Guarantee provides, among others, for job brokering, vocational counselling support
- Some progress in further improving the relevance of education to labour market needs. An advisory VET committee comprised of enterprises was established. The Minister of National Education announced the school year 2014/15 as the ‘Year of VET professionals’
- Some progress in increasing the availability of apprenticeships and work-based learning places. A number of relevant vouchers have been introduced.

3. Take measures to reduce the excessive use of temporary and civil law contracts in the labour market.

**Some progress:**
- An amendment to the Labour Code has been adopted and social security contributions connected with civil law contracts have been increased.
<table>
<thead>
<tr>
<th>2.</th>
<th>Start the process of aligning the pension arrangements for farmers and miners with those for other workers, and adopt a timetable for progressive full alignment; put in place a system for assessing and recording farmers’ incomes.</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.</td>
<td>Continue efforts to increase female labour market participation, in particular by taking further steps to increase the availability of affordable quality childcare and pre-school education and ensuring stable funding. Include farmers in the general pension system, starting by speeding up the creation of the system for the assessment and recording of farmers’ incomes. Phase out the special pension system for miners with a view to integrating them into the general scheme. Underpin the general pension reform by stepping up efforts to promote the employability of older workers to raise exit ages from the labour market.</td>
</tr>
<tr>
<td>3.</td>
<td>Limited progress in stepping up efforts to promote the employability of older workers to raise exit ages from the labour market.</td>
</tr>
<tr>
<td></td>
<td>Limited progress in increasing female labour market participation. A statutory obligation on municipalities to participate in providing childcare services and pre-school education was introduced. Grants for telework and activation benefits for unemployed parents returning to the labour market after parental leave were put in place.</td>
</tr>
<tr>
<td></td>
<td>Limited progress in increasing the cooperation between schools and employers. The reform of the VET system, providing for better cooperation between enterprises (especially SMEs) and VET schools, is under implementation.</td>
</tr>
<tr>
<td></td>
<td>Limited progress in increasing adult participation in lifelong learning. An Act on an Integrated System of Qualifications has been announced.</td>
</tr>
<tr>
<td></td>
<td>Limited progress in combatting labour market segmentation. An act on social security contributions announced, but not implemented yet.</td>
</tr>
<tr>
<td>1.</td>
<td>Limited progress in combatting labour market segmentation. An act on social security contributions announced, but not implemented yet.</td>
</tr>
<tr>
<td></td>
<td>No progress in phasing out special pension schemes for farmers and miners.</td>
</tr>
<tr>
<td></td>
<td>No progress:</td>
</tr>
<tr>
<td></td>
<td>No progress in aligning the pension arrangements for farmers and miners with those for other workers.</td>
</tr>
<tr>
<td></td>
<td>No progress in putting in place a system for assessing and recording farmers’ incomes.</td>
</tr>
</tbody>
</table>
4. Improve the effectiveness of tax incentives in promoting R&D in the private sector as part of the efforts to **strengthen the links between research, innovation and industrial policy**, and better target existing instruments at the different stages of the innovation cycle. 

**Limited progress:**

**No progress** in improving the effectiveness of tax incentives.

**Limited progress** in strengthening the links between research, innovation and industrial policy. Some amendments to the act on higher education were introduced, facilitating the transfer of ownership of intellectual property rights to scientists creating academic inventions.

**Some progress** in better targeting existing instruments at the different stages of the innovation cycle. Poland committed itself to fully implement the National and Regional Smart Specialisation Strategies in the framework of European Structural and Investment Funds to reduce the fragmentation of public research policy and strengthen the links between all participants of the innovation process.

5. Renew and extend energy generation capacity and improve efficiency in the whole energy chain. Speed up and extend the

**Some progress:**

**Some progress** in energy efficiency. Significant amount of

4. Remove obstacles to investment in railway projects.

**Limited progress:**

In September 2015 the National Rail Programme 2023 was adopted. An
development of the electricity grid, including cross-border interconnections to neighbouring Member States, and develop the gas interconnector with Lithuania. Ensure effective implementation of **railway investment projects** without further delay and improve the administrative capacity in this sector. Accelerate efforts to **increase fixed broadband coverage**. Improve waste management.

**Amendment to the Railway Act of 15/01/2015 aims to facilitate procedures for investing in railway infrastructure. Regarding the period 2014-2020, accelerating the processes for project preparation has not yet resulted in investments getting off the ground;**

**Funding is to concentrate on energy efficiency projects, in particular housing insulation through European Structural and Investment Funds.**

**Some progress** in energy generation. On the electricity market, significant new generation capacity running on coal is being built (Opole, Kożienice, Jaworzno, Turow). The draft of a new Renewable Energy Act, implementing some missing elements of the Renewable Energy Directive is in preparation.

**Some progress** in the development of crossborder electric interconnections, especially with Lithuania (‘LitPolLink’ project nearly completed).

**Limited progress** on developing the gas interconnectors, in particular with Lithuania. The work on the southern gas interconnections with Czech Republic and Slovakia remains at the preparatory stage.

**Limited progress** on effective implementation of railway investment projects. Amendment of Railway Act of 15/01/2015 aims to facilitate the procedures for the implementation of investments in railway infrastructure, but it would rather not affect projects funded under the 2007-2013 programming
No progress on improving the administrative capacity in the railway sector.

Some progress with respect to broadband regarding administrative and financial decisions.

Some progress has been made on improving waste management, in particular concerning planning of necessary infrastructure.

6. Take further steps to improve the business environment by simplifying contract enforcement and requirements for construction permits. Step up efforts to reduce costs and time spent on tax compliance by businesses. Complete the ongoing reform aimed at facilitating access to regulated professions.

Some Progress:

Some progress in contract enforcement. The government has recently proposed a number of legislative measures aiming to increase the effectiveness of enforcement proceedings, including the enforcement of contractual obligations.

Limited progress in construction permits. The government has been working on amending the current legal framework. Currently, the final version of the draft Code is being prepared by the Codification Committee. In addition, amendments to the construction law and certain other acts aiming at simplifying the procedures and improving the investment and construction process are being discussed in parliament.
**Some progress** in improving tax compliance by businesses: the implementation of the tax compliance action plan is progressing well; on 18 August 2014, the Ministry of Finance launched a new tax portal as part of the reform package announced in spring 2014; in early October, the Prime Minister announced in her expose an intention to present a new tax code (general tax act), which is to simplify and replace the old tax code.

**Substantial progress** in liberalising the Access to regulated professions: In May 2014 2nd tranche of deregulation reform was adopted (91 professions, incl. architects, urban planners, civil engineers, tax advisers, auditors) and first reading of the 3rd tranche (101 professions, incl. patent attorneys, geologists, stockbrokers) took place in the lower chamber of the Polish Parliament (Sejm). Legislative work on the draft law of the 3rd tranche is currently carried out by the Parliamentary Extraordinary Committee for limiting bureaucracy.
### Country Specific Recommendations 2014

**SGP:** CSR 1 and MIP: -

1. Implement the necessary fiscal consolidation measures for 2014 so as to achieve the fiscal targets and prevent the accumulation of new arrears. For the year 2015, implement a revised budgetary strategy in order to bring the deficit to 2.5% of GDP, in line with the target set in the Excessive Deficit Procedure Recommendation, while achieving the required structural adjustment. Replace consolidation measures which the Constitutional Court considers unconstitutional by measures of similar size and quality as soon as possible. The correction of the excessive deficit should be done in a sustainable and growth-friendly manner, limiting recourse to one-off/temporary measures. After the correction of the excessive deficit, pursue the planned annual structural adjustment towards the medium-term objective, in line with the requirement of an annual structural adjustment of at least 0.5% of GDP, more in good times, and ensure that the debt rule is met in order to put the high general debt ratio on a sustainable path. **Prioritise expenditure-based fiscal consolidation and increase further the efficiency and quality**

### Assessment of implementation of CSR 2014

**(based on COM staff document)**

**Some progress** (this overall assessment of CSR 1 excludes an assessment of compliance with the Stability and Growth Pact):

**Some progress** in fiscal structural measures.

**Limited progress** in developing new comprehensive measures as part of the ongoing pension reform, while some progress in proceeding with hospital reforms.

**Some progress** in reviewing the tax system. The PIT reform, the green taxation reform and additional measures associated with the CIT reform were adopted. Further improvements have been observed in the operationalisation of the e invoice system, tax administration reform and other antifraud measures announced in the 2015 budget.

**Some progress** in improving the fiscal framework. The Budgetary Framework Law reform is expected in Q1-2015. A revision of the Commitment Control Law was approved in January, further strengthening budget control.

### Country Specific Recommendations 2015

**SGP:** CSR 1 and MIP: CSR 1, 2, 3, 4

1. Ensure a durable correction of the excessive deficit in 2015 by taking measures as necessary. Achieve a fiscal adjustment of 0.6% of GDP towards the medium-term budgetary objective in 2016. Use windfall gains to accelerate the deficit and debt reduction. Enforce the commitment control law to better control expenditure. **Improve the medium-term sustainability of the pension system.** Safeguard the financial sustainability of state-owned enterprises. Further **improve tax compliance and the efficiency of the tax administration.**

### Assessment of implementation of CSR 2015

**(based on COM staff document)**

**Some progress** (this overall assessment of CSR 1 excludes an assessment of compliance with the Stability and Growth Pact):

There has been **some progress** on enforcing the commitment control law as arrears have continued to fall. In the health sector, however, underbudgeting by hospitals continues to prevent arrears from falling faster.

There has been **some progress** towards making the pension system more sustainable in the medium-term. In the short to medium term, public finances are under pressure as the current contributions to the public pension systems cover less than 75% of the pension-related expenditure. There has been limited progress in developing new comprehensive measures as part of the ongoing pension reform.

However, some previously decided measures are starting to have positive effects on medium and long-term sustainability such as the movable old-age pension that depends on life expectancy at the age of 65. The statutory retirement age, set at 66 in 2015, will now rise each year by 2/3 of the increase in
of public expenditure. Maintain tight control of expenditure in central, regional and local administration. Continue the restructuring of the state-owned enterprises. Develop by the end of 2014 new comprehensive measures as part of the ongoing pension reform, aimed at improving the medium-term sustainability of the pension system. Control healthcare expenditure growth and proceed with the hospital reform. Review the tax system and make it more growth-friendly. Continue to improve tax compliance and fight tax evasion by increasing the efficiency of the tax administration. Strengthen the system of public financial management by swiftly finalising and implementing the comprehensive reform of the Budgetary Framework Law by the end of 2014. Ensure strict compliance with the Commitment Control Law. Effectively implement single wage and supplements' scales in the public sector from 2015 onwards.

the single wage and supplement scales. The Law on Single Wage Scale (TRU) was published in September 2014 and has to be applied from January 2015. The Decree-law on the Single Supplements Scale (TUS) is under preparation.

life expectancy measured two years previously. The sustainability factor introduced in the calculation mechanism that determines the amount of early retirement pension entitlements has also started to contribute to medium- and long-term sustainability. The S1 indicator of fiscal sustainability reveals that there is a high risk in the medium term (6.4) relating mainly to the debt requirement.

There has been some progress concerning the financial sustainability of state-owned enterprises (SOEs). As a result of rationalisation measures and mergers between companies, the operating performance of SOEs has been improving. Equity operations carried out by the state have also strengthened several companies' financial position. Partial reversal of the privatisation of the air carrier TAP may imply additional fiscal risks. Cancelling the award of urban transport concessions in Lisbon and Porto will have an immediate fiscal impact during 2016, as the savings these concessions were supposed to deliver will not materialise. Political choices in the transport sector will need to go hand-in-hand with measures to ensure that these SOEs are financial sustainable.

There has been some progress on
| 2. | **Maintain minimum wage developments** consistent with the objectives of promoting employment and competitiveness. Ensure a wage setting system that promotes the alignment of wages and productivity at sectoral and/or firm level. Explore, in consultation with the social partners and in accordance with national practice, the possibility of mutually agreed firm-level temporary suspension of collective agreements. By September 2014, present proposals on mutually agreed firm-level temporary suspension of collective agreements and on a revision of the survival of collective agreements. | **Some progress:** |
| | **Limited progress** in minimum wage developments. In October 2014 the government raised the minimum by 4.1% to be effective between 1 October 2014 and 31 December 2015. The increase occurred after agreement with the social partners. At the same time employers’ social security contributions were cut from 23.75% to 23% for employees who had been on minimum wage without interruption, since May 2014. | **Limited progress** in ensuring a wage setting system that promotes the alignment of wages and productivity at sectoral and/or firm level: specific measures are described below. |
| | **Some progress** in the introduction of mutually agreed firm-level temporary suspension of collective agreements and on a revision of the survival of collective agreements. | **Limited progress** as regards the introduction of mutually agreed firm-level temporary suspension of collective agreements. | **Some progress:** |
| | **2. Promote the alignment of wages and productivity,** in consultation with the social partners and in accordance with national practices, taking into account differences in skills and local labour market conditions as well as divergences in economic performance across regions, sectors and companies. Ensure that developments relating to the minimum wage are consistent with the objectives of promoting employment and competitiveness. | **Some progress:** |
| | **Some progress** on promoting the alignment of wages and productivity. The most recent data available show that wage developments have been moderate and in line with productivity over a medium-term horizon. Collective bargaining at sectoral level has been supportive of this process. However firm-level bargaining is not picking up, potentially limiting the scope for wage differentiation according to the dimensions mentioned in the CSR. | **No progress** as regards the minimum wage. It was further increased in January 2016 from EUR 505 to EUR 530, in a context of low inflation and high unemployment, putting upward pressures on the overall wage structure with the risk of affecting employment and competitiveness perspectives. |
collective agreements. Legislation was adopted in August 2014 and enacted in September 2014: however, new rules require agreement from the original signatories of the sectoral agreement, making implementation more difficult.

**Full implementation** regarding the presentation of proposals on the survival of collective agreements. In August 2014 the authorities have passed legislation reducing the survival period of collective agreements expired and not renewed.

**No progress** concerning criteria for the extension of collective agreements: in June 2014 less stringent criteria for the extension of collective agreements have been introduced compared to those required since 2012. The potential generalisation of extensions of collective agreements is likely to hinder efficient wage adjustment at firm level.
3. Present, by March 2015, an independent evaluation of the recent reforms in the employment protection system, together with an action plan for possible further reforms to tackle labour market segmentation. Pursue the ongoing reform of active labour market policies and Public Employment Services aimed at increasing employment and labour participation rates, specifically by improving job counselling/job search assistance and activation/sanction systems with a view to reducing long-term unemployment and integrating those furthest away from the labour market. Address the high youth unemployment, in particular by effective skills anticipation and outreach to non-registered young people, in line with the objectives of a youth guarantee. Ensure adequate coverage of social assistance, including the minimum income scheme, while ensuring effective activation of benefit recipients.

Some progress: No progress in presenting, by March 2015, an independent evaluation of the recent reform in employment protection legislation.

Some progress in terms of active labour market policies implementation. However, the effectiveness of employment and training measures need to be carefully monitored. As regards the PES, despite progress achieved with the PES reform, the caseload remains very high.

Some progress in implementing the Youth Guarantee (YG) and engaging all relevant governmental and non-governmental partners in its implementation. However, substantial challenges remain, notably the capacity of PES as coordinator of the YG to engage the YG network partners and the need to reach out to all non-registered young people, not in employment, education or training (NEETs).

No progress in ensuring adequate coverage of social assistance, including the minimum income scheme.

3. Improve the efficiency of public employment services, in particular by increasing outreach to non-registered young people. Ensure effective activation of benefit recipients and adequate coverage of social assistance, in particular the minimum income scheme.

Some progress:

Some progress has been made in increasing outreach to non-registered young people but challenges in its implementation still persist. A broad network of partners engaged in the implementation of the Young Guarantee has been set to reach out to young people aged under 30 and not in employment, education or training (NEET). Another positive step has been the creation of a Youth Guarantee online platform where NEETs can register.

Some progress has been made in improving the efficiency of the public employment services through a reinforced performance management and an ongoing shift towards digital services. While partnerships with municipalities, training organisations and social economy actors are well developed, there has been limited progress in binding partnerships with private employment services. The two pilot projects of partnership with private employment services in Lisbon and Porto have been delayed and a tender procedure has yet to be launched.

There has been some progress in ensuring adequate coverage of social assistance, in particular...
4. Improve the quality and labour-market relevance of the **education system** in order to reduce early school leaving and address low educational performance rates. Ensure efficient public expenditure in education and reduce skills mismatches, including by increasing the quality and attractiveness of vocational education and training and fostering cooperation with the business sector. Enhance cooperation between public research and business and foster knowledge transfer.

<table>
<thead>
<tr>
<th><strong>Some progress:</strong></th>
<th><strong>Some progress</strong> in improving the quality and labour-market relevance of the education through: the reform of curricula; the reform of teachers’ statutes; the development of the monitoring tool: the further development of the evaluation system for teachers and schools; the diversification of pathways implemented with new Vocational Education Training (VET) programs; an increased number of hours of on the job training in VET options; a National skills Strategy; the creation of TESP courses (more than 90 authorisations so far but most of the beneficiaries have not yet started the programmes in practical terms).</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Some progress</strong> towards a more efficient public spending through the rationalisation of the schools network and a new funding formula to provide more incentives to better performing schools.</td>
<td>through the minimum income scheme. There have been changes to the eligibility criteria of the minimum income scheme which may extend its coverage. Further measures in this area include an increase in child benefits, including for single parents households. No new specific measures have been taken on activation for minimum income scheme recipients.</td>
</tr>
</tbody>
</table>
Limited progress in improving cooperation between public research and business and encouraging knowledge transfer. There are still weak and scattered policy incentives for the cooperation between public research performing organisations and businesses. The role of the Innovation Agency has been reformulated and its governance has been streamlined. However, the announced action plan has not been implemented yet.

5. Monitor banks’ liquidity position and potential capital shortfalls, including by on-site thematic inspections and stress-testing. Assess the banks’ recovery plans and introduce improvements to the evaluation process where necessary. Implement a comprehensive strategy to reduce the corporate debt overhang and reinforce efforts to widen the range of financing alternatives, including for early stages of business developments, by enhancing the efficiency of the debt restructuring tools (particularly PER and SIREVE) for viable companies, introducing incentives for banks and debtors to engage in restructuring processes at an early stage and improving the availability of financing via the capital market. Ensure that the identified measures support the reallocation of financing towards the productive

Substantial progress:

Substantial progress in monitoring banks’ liquidity and capital position and assess banks’ recovery plans. Portugal has announced the following measures:
- Follow-up by Banco de Portugal to the Comprehensive Assessment exercise
- Analysis of pillar 1 and 2 regulatory measures to promote corporate debt restructuring or sale/transfer of underlying exposures

Substantial progress in implementing measures to reduce corporate debt overhang. Portugal has adopted the Strategic plan for Corporate Debt Restructuring (published)

Some progress in widening the

4. Take further measures to reduce the corporate debt overhang, to address the corporate non-performing loans ratio in banks and to reduce the debt bias for corporates under tax provisions. Improve the efficiency of debt restructuring tools for viable companies by introducing incentives for banks and debtors to engage in restructuring processes at an early stage.

Some progress:

Some progress has been made on reducing the corporate debt overhang and allowing the private sector to deleverage. This includes the well advanced implementation of the corporate deleveraging strategy, which includes the revamping of the PER and SIREVE insolvency tools and changes in the tax treatment of debt financing. However, at close to 190% of GDP, Portugal’s private sector is one of the most highly indebted in the EU. Moreover, access to credit remains costly and difficult for businesses, in particular SMEs. Therefore, there is still the need to continue to pay attention to the problem of high indebtedness and to encourage the banking sector to raise capital in order to be able to clean its balance sheet from the high burden of corporate non-performing credit.
sectors of the economy, including to viable SMEs, while avoiding risks to public finances and financial stability. Implement, by end September 2014, an early warning system mainly with supervisory purposes, to identify firms, including SMEs, with a high probability of default due to an excessive level of indebtedness, and which can, indirectly, promote early corporate debt restructuring.

| 6. | Implement the second and third packages of measures in the energy sector aimed at reducing energy costs for the economy, while eliminating the electricity tariff debt by 2020, and closely monitor implementation. Improve the cross-border integration of the energy networks and speed up implementation of the electricity and gas interconnection projects. Implement the comprehensive long-term transport plan and the "chronogram" setting out the ports sector reforms. Complete the transports concessions for the metropolitan areas of Lisbon and Oporto. Ensure that the renegotiations of the existing port concessions, including in the transport sector, and private-public partnerships at local and regional level. | Some progress: Some progress in implementing the second and third packages in the energy sector. Portugal has implemented the enhanced electricity social tariff (part of the third package of energy sector measures) and approved the extension of the special energy levy (included in the 2015 budget). Despite some progress, excessive rents still exist and also the electricity tariff deficit needs to be further addressed, through a set of credible additional measures. Taxes on electricity have risen for customers in recent years, mitigating progress made through 5. Accelerate measures and increase transparency as regards concessions, including in the transport sector, and private-public partnerships at local and regional level. | Limited progress: Limited progress has been made on transparency. A revised framework for public-private partnerships (PPPs) entered into force on 1 June 2012. The government has renegotiated several road PPPs. In most cases, the Court of Auditors has already expressed its view that no prior approval is required for the changes to be effective. As regards water concessions at local level and railway PPPs, the Court of Auditors expressed a negative opinion of the way the state had managed the contracts. Existing legislation does not empower UTAP, the Ministry |
concessions and the new authorisation schemes are performance-oriented and in line with internal market principles, in particular procurement rules. Ensure that the national regulatory authority for transport (AMT) is fully independent and operational by the end of September 2014. Ensure the financial sustainability of the state-owned enterprises in the transport sector. Strengthen efficiency and competition in the railways sector, by implementing the plan for the competitiveness of CP Carga, after the transfer of the freight terminals while ensuring the management independence of the state-owned infrastructure manager and railway undertakings.

interconnections that lower prices thanks to competition. Overall the real cost of energy has fallen in Portugal. Some progress has been made in improving the cross-border integration of the energy networks. On 6 January 2015 in Brussels, the Spanish, French and Portuguese transmission system operators signed a joint strategy paper to develop interconnection between the Iberian Peninsula and the internal electricity market. The joint strategy paper lists shared goals and indicates which options for projects have the potential to increase the current interconnection capacity. This strategy will be important in reaching the minimum interconnection level of 10% agreed by the European Council in October 2014.

Limited progress in implementing the long-term transport plan and ports sector chronogram. These measures are longer term so they are likely to be only partially completed by the summer of 2015. Limited progress has been observed in transports concessions for the metropolitan areas of Lisbon and Porto. These measures have incurred significant delays as well. The tender process for the Porto public transport concessions was launched over the summer and has been concluded in January 2015, several months later than planned.

of Finance’s taskforce for PPPs, to cover concessions, regional and local PPPs or even central government PPPs/concessions in the water/sewerage/waste businesses (or any concession given to SOEs by law in an in-house relationship). The authorities are aware of these loopholes and agree there is a need to find a solution. However, no concrete suggestions or timeline has yet been proposed.
The tender for Lisbon is expected to be launched by the end of first quarter of 2015, just after the PSO contracts are signed. Limited progress has been made in the port concession renegotiations that have proceeded at a slow pace and will likely continue to do so; as a result, completion by the summer of 2015 is unlikely. No progress has been made in ensuring that the Transport regulator is fully operational (the recommended deadline was the end September 2014). On 2 February 2015, a new amendment to the AMT bylaw was published. The amended legislation extends the AMT’s establishment period (due by the end of September 2014). The new provision states that AMT is legally able to carry out its assignments from February 2015. Limited progress has been observed in the railways sector. The merger between EP/REFER is ongoing. Further progress was made with staff reductions in transport sector SOEs; this will continue in 2015. The planning commission for the EP-REFER merger was nominated in August 2014 (intended to improve transport SOEs’ financial sustainability).

7. Further improve the evaluation of the housing market, including by setting up, by the end of 2014, a more systematic monitoring and reporting framework and issue a comprehensive report on the

Limited progress: No progress by the end of 2014 (recommended deadline) in further improving the evaluation of the housing market, including by
shadow economy in that market. Continue efforts to carry out further inventories of regulatory burdens with a view to including, by March 2015, sectors not yet covered. Adopt and implement, by the end of September 2014, the outstanding licensing decrees and sectoral amendments. **Remove, by the end of September 2014, remaining restrictions in the professional services sector** and enact the professional bodies’ amended by-laws which have not yet been adopted under the macroeconomic adjustment programme. **Eliminate payment delays by the public sector**. Ensure adequate resources of the national regulators and competition authority.

Setting up, by the end of 2014, a more systematic monitoring and reporting framework and issue a comprehensive report on the shadow economy in that market. At the end of January 2015, the authorities published a decree establishing a working group tasked with implementing a monitoring model of the housing market. The study on the shadow economy in the Portuguese rental market is now expected to be issued at the end of August 2015.

**Some progress** in continuing efforts to carry out further inventories of regulatory burden with a view to including, by March 2015 sectors not yet covered. Under the SIMPLIFICAR initiative, Portugal is implementing a road map to reduce regulatory burdens. Work is ongoing, although with some delay, to further improve the business-friendliness of the regulatory environment. This includes approving the methodology for impact assessment of legislation which includes the "one-in/one-out" rule and broadens the scope of the existing inventory of the most burdensome regulations to include new sectors, such as tourism, construction and agriculture. To this end, a governance framework for centralised regulatory simplification activities is being set up.
up, based on inter-ministerial coordination and stakeholder engagement mechanisms.

No progress by the end-September 2014 (recommended deadline) in adopting and implementing all outstanding sectoral amendments. Some outstanding sectoral amendments, precious metals, mining and some legislation on territorial planning, have not yet been implemented. There is no political will to approve a new law on universities. Some progress was made after the recommended deadline:

- the law on land registration experts was published on 9 January 2015;

- the new commercial licensing regime was published on 16 January 2015;

- the legal framework for the single environmental license was approved by the Council of Ministers at the end of January 2015.

- copyright collective management societies, electricians, bullfighters, gas installation services and professionals, general law on construction, general law on construction professionals were all approved by the Council of
Ministers and sent to Parliament during in 2014. All were approved by the Parliament at first reading.

No progress by the end of September 2014 (recommended deadline) in removing the remaining restrictions in the professional services sector. However, limited progress has been made recently on removing restrictions in the professional service sector. The general law on professional partnerships was approved in the Council of Ministers of 18/12/2014 and sent to Parliament for enactment. No progress by the end of September 2014 (recommended deadline) in enacting the professional bodies' amended bylaws. None of the outstanding 18 bylaw of highly regulated professions has been implemented. 9 draft bylaws for highly regulated professions are reportedly finalised but have not yet been approved by the Council of Ministers. The remaining 9 draft bylaws are experiencing delays, mainly due to non-compliance with the framework law for highly regulated professions and with EU law (particularly the bylaws from the Ministry of Justice for lawyers, solicitors, enforcement agents, notaries).

No progress in eliminating payment delays by the public
Some progress in ensuring that the national regulators and competition authority have adequate resources. The Competition bylaw was published in August 2014. As regards the outstanding NRAs bylaws, the CMVM and ISP statutes were published on 6 January 2015; ANAC and ANACOM bylaws were approved by the Council of Ministers at the end of December 2014. A new amendment to the AMT bylaw was published on 2 February 2015.

| 8. Continue to rationalise and modernise central, regional and local public administration. | Some progress: |
| Implement the reforms to enhance the efficiency of the judicial system and increase transparency. Step up efforts to evaluate the implementation of reforms undertaken under the macroeconomic adjustment programme as well as planned and future reforms. In particular, insert mandatory systematic ex ante and ex post assessments in the legislative process. Set up a functionally independent central evaluation unit at government level, which assesses and reports every six months on the implementation of these reforms, including consistency with the ex ante impact assessment, with corrective action |
| Portugal announced a global strategic plan to rationalize and reduce ICT costs in public administration (at early stages of defining scope and implementing roadmaps). In the context of the SIMPLIFICAR initiative, Portugal is: |
| − implementing the road map for the reduction of regulatory burden; |
| − further making the regulatory environment more business friendly, which includes approving the methodology for assessing the impact of legislation including the |
"one-in/one-out" rule;

− broadening the scope of the existing inventory of the most burdensome regulations to cover new sectors, such as tourism, construction and agriculture. A centralised governance framework for regulatory simplification activities is being set up for this purpose, based on interministerial coordination and stakeholder engagement mechanisms.

− Portugal has also implemented the Municipality Support Fund (FAM), a debt work-out mechanism for over-indebted municipalities which was formally established in August 2014. Preparations have started for the 2015 roll-out of the "Aproximar" strategy (designed to reorganise the public services network at local level).

Some progress has been made in enhancing the efficiency of the judicial system and increasing transparency. The code of civil procedures has been adopted but no data are yet available on the clearance rate and disposition time under the new regime. Judicial reorganisation has had a slow start. It remains to be seen the real benefits in the coming years. IT applications for the Tax and Administrative Courts are still
underdeveloped. Some progress has been made on improving transparency and combating corruption. Measures have been taken to further improve transparency in public procurement and private-public partnerships. Some challenges remain in implementing transparency requirements by local and regional authorities and in effectively applying the existing legal framework for the prevention of corruption and conflict of interests.

**No progress** has been made in evaluating the implementation of reforms undertaken under the macroeconomic adjustment programme as well as planned and future reforms. No progress was observed in setting up a functionally independent central evaluation unit.
**Country Specific Recommendations 2014**
SGP: CSR 2 and MIP: -

<table>
<thead>
<tr>
<th>1. Implement the EU/IMF financial assistance programme by fully addressing the policy conditionality - included in the Memorandum of Understanding of 6 November 2013 and its subsequent supplements - that complements and supports the implementation of these country-specific recommendations.</th>
<th>Assessment of implementation of CSR 2014 (based on COM staff document)</th>
<th>Country Specific Recommendations 2015 SGP: CSR 2 and MIP: CSR 1, 2, 3, 4</th>
<th>Assessment of implementation of CSR 2015 (based on COM staff document)</th>
</tr>
</thead>
<tbody>
<tr>
<td>No progress (this overall assessment of CSR 1 excludes an assessment of compliance with the Stability and Growth Pact): The first formal review mission (2-16 June 2014) to assess the implementation status of programme conditionality was not concluded. Also the second formal review mission (27 January – 10 February) was not concluded.</td>
<td>1. Take all the necessary measures to complete the financial assistance programme.</td>
<td>No progress: Romania made <strong>no progress</strong> as the third formal review mission (16-30 June 2015) to assess the programme's implementation status conditionality was not concluded. Consequently, the 2013-2015 programme ended without a formal review being completed. While some progress was achieved in several policy areas, current and former programme achievements were undermined in key policy areas.</td>
<td></td>
</tr>
</tbody>
</table>

<p>| 2. Implement the budgetary strategy for 2014, <strong>significantly strengthen the budgetary effort</strong> to ensure reaching the medium-term objective in 2015 in line with commitments under the Balance of Payments programme and as reflected in the 2014 Convergence Programme, in particular by specifying the underlying measures, and remain at the medium-term objective thereafter. <strong>Improve tax collection</strong> by continuing to implement a comprehensive tax compliance strategy, stepping up efforts to reduce VAT fraud. <strong>Fight undeclared work. Reduce tax burden for low- and middle-income earners in a budget-neutral way.</strong> | Some progress: <strong>Limited progress</strong> has been made in improving tax collection and fighting undeclared work. A pilot project on undeclared labour is in progress. The VAT reimbursement procedure is being streamlined and implemented. <strong>Substantial progress</strong> has been made on reducing the tax burden on labour. The tax burden has been reduced through a 5 pp. reduction in employers’ social security contributions across the board. However, the recommendation on targeting the reduction was not followed and the tax wedge on low-income earners remains | 2. Limit the deviation from the medium-term budgetary objective in 2015 to a maximum of 0.25% of GDP as specified under the 2013-15 balance-of-payments programme and return to the medium-term budgetary objective in 2016. <strong>Implement the comprehensive tax compliance strategy</strong>, strengthen verification control systems in order to tackle undeclared work, and push ahead with the equalisation of the pensionable age for men and women. | <strong>Limited progress</strong> (this overall assessment of CSR 2 does not include an assessment of compliance with the Stability and Growth Pact): Romania made <strong>full progress</strong> in remaining at the medium-term budgetary objective for its structural deficit in 2015. According to the European Commission winter 2016 forecast the structural deficit for 2015 is 0.7 % of GDP. This is below the medium-term budgetary objective of a structural deficit of 1 % of GDP. Romania made <strong>no progress</strong> in remaining at the medium-term |</p>
<table>
<thead>
<tr>
<th><strong>Finalise the pension reform</strong> started in 2010 by equalising the pensionable age for men and women.</th>
<th>comparatively high. <em>Limited progress</em> has been made in pension reform; a law has been adopted by the Senate but not yet discussed by the lower chamber.</th>
<th>budgetary objective in 2016. According to the 2016 budget and the Commission 2016 winter forecast, the budget deficit in 2016 will be close to 3% of GDP in both nominal and structural terms. Romania made <em>limited progress</em> on implementing the comprehensive tax compliance strategy and strengthening verification control systems to tackle undeclared work. The comprehensive tax compliance strategy is still being developed. Efforts to improve tax collection started to yield some results, but VAT evasion remains high. A pilot project to strengthen checks for undeclared work is being rolled out throughout the whole country, but the activity of labour inspections has gone down and there was limited follow-up on those that did take place. Romania made <em>no progress</em> on the equalisation of the pensionable age for men and women. The draft law submitted to Parliament in 2013 has been adopted by the Senate, but not by the lower Chamber.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>3. Step up reforms in the health sector</strong> to increase its efficiency, quality and accessibility, including for disadvantaged people and remote and isolated communities. Increase efforts to curb informal payments, including through proper management and control systems.</td>
<td><em>Limited progress.</em> Some progress has been made in health sector reform. The basic benefits package was introduced in June 2014. The minimum package is being introduced as of January 2015. The National Health Strategy</td>
<td></td>
</tr>
</tbody>
</table>
was approved in December 2014. The Health Technology Assessment system has been implemented, together with e-health measures.

**Limited progress** has been made in management and control systems, albeit feedback mechanism for patients has been implemented. It can also be used to report informal payments.

<table>
<thead>
<tr>
<th>4. Strengthen active labour-market measures and the capacity of the National Employment Agency. Pay particular attention to the activation of unregistered young people. Strengthen measures to promote the employability of older workers. Establish, in consultation with social partners, clear guidelines for <strong>transparent minimum wage setting</strong>, taking into account economic and labour market conditions.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Limited progress</strong> has been made in strengthening active labour-market measures and the capacity of the National Employment Agency. Important steps forward are a benchmark learning exercise of the PES network that was piloted in Romania, the rolling out of the professional card programme, monitoring actions for jobseekers and the updating of the PES portal to provide extended e-services, all of which need to be accelerated.</td>
</tr>
<tr>
<td><strong>Limited progress</strong> has been made on activation of older workers, as support to employers recruiting them continued. The adoption of the Active Ageing Strategy was delayed to March 2015.</td>
</tr>
<tr>
<td><strong>Some progress</strong> has been made on activation of unregistered young people. New measures under the Youth Guarantee Implementation</td>
</tr>
<tr>
<td>3. Strengthen the provision of labour market measures, in particular for unregistered young people and the long-term unemployed. Ensure that the national employment agency is adequately staffed. Establish, in consultation with the social partners and in accordance with national practices, clear guidelines for setting the minimum wage transparently. <strong>Introduce the minimum insertion income.</strong> Increase the provision and quality of early childhood education and care, in particular for Roma. <strong>Adopt the national strategy to reduce early school leaving.</strong> Pursue the national health strategy 2014-2020 to remedy issues of poor accessibility, low funding and inefficient resources.</td>
</tr>
<tr>
<td><strong>Limited progress</strong> Romania made <strong>limited progress</strong> on strengthening active labour market measures, in particular for unregistered young people and for the long-term unemployed. Initiatives such as the Youth Guarantee centres have had a limited effect on the registration of people not in employment, education or training. There is no evaluation of the 27 pilot Youth Guarantee centres. They, however, do not appear to have succeeded in supporting young people who were not previously registered with public employment services. The take-up of apprenticeship and measures such as support for traineeships, skills certification and the mobility package, was more limited than initially expected. The results of the database of young people not in employment, education or training and the professional card remain to be seen.</td>
</tr>
</tbody>
</table>
Plan and Youth Guarantee pilot schemes are being implemented. Public Employment Services are developing an integrated database on young people who are not in employment, education or training. Its impact remains however limited: take-up, coverage and effective implementation of existing measures need to be enhanced and sustained in the long run.

No progress has been made in setting guidelines for transparent minimum wage setting. A review of wage setting mechanisms in other Member States is ongoing. Based on this, a methodology will be developed and discussed with social partners in 2015.

However, a more integrated approach, offering integrated pathways to people not in employment, education or training and centred on the public employment service is being developed with the support of EU funds. There are few activation programmes or employer incentives targeted at the long-term unemployed, with the exception of an employer subsidy for workers older than 45, although that is not specifically targeted at the long-term unemployed.

Romania made limited progress on adequately staffing the National Employment Agency. There was only a marginal increase in the staff of employment services and no internal reallocation of resources. A large proportion of the staff works on back-office functions, including the administration of European Social Fund programmes. A strategy to modernise the National Employment Agency was adopted at the end of 2014, but its quality is uneven and the Commission has asked for the strategy to be revised. Despite the ex ante conditionality, measures funded through the European Social Fund interventions are not sufficiently coordinated with those financed through the national budget. The public employment service has started to develop a labour market...
intelligence capacity and to enter into partnerships with several stakeholders. In the context of ex ante conditionality for the European Social Fund, there are action plans to develop procedures for profiling and segmentation of the various categories of unemployed to offer tailor-made support but they are not yet implemented.

Romania made limited progress in setting guidelines for transparent minimum-wage setting. A study on the impact of minimum wage increases was undertaken, but a transparent minimum wage setting mechanism, based on clear and objective criteria related to economic and labour market conditions, is not yet in place. The government has set up a tripartite working group with the aim to establish such mechanism. The group should present its proposal by April 2016.

Romania made limited progress in introducing the minimum inclusion income scheme, as the draft law has been put in public consultation, but not yet adopted. Its implementation has been further delayed to 2017 or 2018.

Romania made some progress in increasing the provision and quality of early childhood education and care, in particular for Roma. A law
was adopted with the aim to encourage the participation of disadvantaged children in kindergarten.

Romania made limited progress on implementing the national strategy to reduce early school leaving. The strategy was adopted in June 2015 but there are significant delays in its implementation. The early school leaving rate increased in 2014 after a period of stagnation and remains around 7 pps. above the EU average. There are significant differences between regions and between urban and rural areas.

Romania made limited progress on improving access to healthcare with the introduction of some innovative medicines for hepatitis C and cancer based on cost-effectiveness (health technology assessment) criteria. Some other measures have been adopted to ensure access to medicines for low-income pensioners and to make healthcare more accessible to people in remote and isolated communities. Nonetheless, improving access to primary healthcare and outpatient care, especially in rural areas, still remains a challenge. The availability of health professionals is below the EU average on account of their emigration. Widespread informal payments reduce access to
Romania made **limited progress** on remediying low funding and **some progress** on addressing the inefficient use of resources. The use of ICT services in the healthcare sector has been stepped up through the introduction of the national health card and electronic records. Centralised procurement procedures have been established through framework contracts for the supply of some medicines. Lack of administrative capacity is delaying projects to streamline the hospital sector and switch from inpatient care to outpatient care. The implementation of the 2014-2020 national health strategy, which addresses this problem, has stagnated. In addition, the construction of much needed community centres in rural areas could be delayed because of a lack of administrative capacity to develop a mapping of investment necessities.

| 5. Increase the quality and access to vocational **education and training**, apprenticeships, tertiary education and of lifelong learning and adapt them to labour market needs. Ensure better access to **early childhood education and care.** | **Limited progress** has been made in access to early childhood education and care (ECEC). There is a legislative proposal on baby sitters and nannies in Parliament, but access to ECEC remains a challenge, particularly for children aged 0 to 3. A national ECEC | **See CSR 3.** |
programme has not yet been adopted.

**Some progress** has been made in increasing the quality of and access to (i) vocational education and training and apprenticeships, with actions including the reform of Vocational Education and Training (VET) which is being implemented (duration increased from 2 to 3 years), partnerships with schools and social partners are being rolled out, the introduction of VET colleges has been announced, and support for apprenticeship schemes in continuing VET has been increased; (ii) higher education, where actions include setting up a database allowing monitoring of the recruitment of higher education graduates, a requirement that all universities establish counselling and career guidance centres, a new methodology for recording and analysing the insertion on the labour market of higher education graduates and drafting 36 new occupational standards. Strategies for tertiary education and lifelong learning to be adopted in the first quarter of 2015, later than planned.

6. In order to alleviate poverty, increase the efficiency and effectiveness of social transfers, particularly for children, and continue reform of social assistance, strengthening its links

**Limited progress.** Limited progress has been made in integrating the Roma population, due to a lack of coordination between various governmental
with activation measures. Step up efforts to implement the envisaged measures to favour the integration of Roma in the labour market, increase school attendance and reduce early school leaving, through a partnership approach and a robust monitoring mechanism. However, a revised strategy for Roma integration was adopted in January 2015, with some delay and implementation is lagging behind.

Some progress has been made in increasing the efficiency and effectiveness of social transfers, particularly for children, and reform of social assistance, strengthening its links with activation measures. A government decision approved in November 2014 has been implemented, increasing disability benefits by 16%. An emergency ordinance adopted in October 2014 increases the financial allowance for children placed in alternative care and introduces a one-off allowance equal to the minimum wage on exit from the system. A national strategy for protecting and promoting the rights of the child was adopted in December 2014. A social economy law was adopted by the government in 2013, but is still under debate in the Parliament. Limited progress has been made towards the Minimum Insertion Income; active labour market measures aimed at persons receiving social assistance are limited. The adoption of the Strategy for Social Inclusion and Combating Poverty and its action plans has been postponed to March
Limited progress has been made in reducing early school leaving, with action including the design of a data collection system on early school leaving; the module on primary education is already operational. Progress has been made in curriculum reforms following competence-based pedagogical approach conducive to ensuring educational achievement. The strategy on early school leaving will be adopted in the first quarter of 2015, later than planned.

Limited progress has been made in strengthening the capacity of public administration by adopting the Strategy for the Public Administration (Oct 2014) and complementing action plans, but implementation is slow. Consumer law enforcement capacity remains very limited, in particular as regards the digital environment.

Limited progress has been made in improving the decision-making tools. A strategy for better regulation was adopted in December 2014, but its implementing action plan remains to be adopted.

Limited progress has been made in the speeding up the absorption of
Limited progress has been made in strengthening management and control systems.

Limited progress has been made in improving capacity for strategic planning by adopting emergency ordinances and methodological norms, to improve vetting of public investments, setting public investment appraisal standards, and public investment prioritisation at the centre of government.

Limited progress has been made in tackling persisting shortcomings in public procurement. A working group of Commission officials (from DG GROW&DG REGIO) and their Romanian counterparts was set up to develop a public procurement strategy and action plan by end-June 2015. The objective is to tackle the shortcomings of the public procurement system.

Some progress has been achieved in enhancing the quality and efficiency of the judicial system, fighting corruption at all levels, and ensuring the effective implementation of court decisions. Namely, new criminal codes have been implemented and many high-level corruption cases have been prosecuted.
amendments in civil procedural law are expected to speed up the enforcement procedure. However, the effective implementation of court decisions remains weak in many cases. Strategy and projects have been adopted defining future reforms of the judicial system to improve efficiency and quality of justice, but actions and implementation still need to be defined.

**Limited progress** was achieved in preventing and fighting low-level corruption. The effective implementation of court decisions remains weak.

<table>
<thead>
<tr>
<th>8. Promote competition and efficiency in energy and transport industries.</th>
<th>4. Adopt the law on reforming corporate governance of state-owned enterprises.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accelerate the corporate governance reform of state-owned enterprises in the energy and transport sectors and increase their efficiency. Improve and streamline energy efficiency policies. Improve the cross-border integration of energy networks and enable physical reverse flows in gas interconnections as a matter of priority.</td>
<td>Romania made <strong>some progress</strong> on addressing CSR 4. On 6 January 2016 the government approved draft amendments to the draft law approving government emergency ordinance 109/2011 on corporate governance of state-owned enterprises and submitted the amendments to Parliament.</td>
</tr>
</tbody>
</table>
incentives for the infrastructure manager CFR SA to reduce costs and charges, the reduction of certain track access charges for Diesel trains to align to EU rules, headway in leasing of railway lines and stations).

**No progress** has been made regarding reform of the corporate governance of state-owned enterprises in the energy and transport sectors.

**Limited progress** has been made in energy efficiency policies due to delays in submitting the national energy efficiency action plan and insufficient work on effective transposition of the Energy Efficiency Directive.

**Limited progress** has been made on cross border integration of energy networks and on enabling of physical reverse flows in gas interconnections. Cooperation between neighbouring Transmission System Operators is underway in order to apply for CEF cofinancing for an important set of projects in 2015.
<table>
<thead>
<tr>
<th>SI</th>
<th>Country Specific Recommendations 2014</th>
<th>Assessment of implementation of CSR 2014 (based on COM staff document)</th>
<th>Country Specific Recommendations 2015 SGP: - and MIP: CSR 1, 2, 3, 4</th>
<th>Assessment of implementation of CSR 2015 (based on COM staff document)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Reinforce the budgetary strategy with sufficiently specified structural measures for the year 2014 and beyond, to ensure correction of the excessive deficit in a sustainable manner by 2015 through the achievement of the structural adjustment effort specified in the Council recommendation under the Excessive Deficit Procedure. A durable correction of the fiscal imbalances requires a credible implementation of ambitious structural reforms to increase the adjustment capacity and boost growth and employment. After the correction of the excessive deficit, pursue a structural adjustment of at least 0.5% of GDP each year, and more in good economic conditions or to ensure that the debt rule is met in order to put the high general government debt ratio on a sustained downward path. To improve the credibility of fiscal policy, complete the adoption of a general government budget balance/surplus rule in structural terms, make the medium-term budgetary framework binding, encompassing and transparent, and establish the necessary legal basis for a functioning fiscal council defining its remit within the scope of its responsibilities.</td>
<td>Some progress: (this overall assessment of CSR 1 excludes an assessment of compliance with the Stability and Growth Pact): <strong>Progress</strong> has been made regarding the adoption of the Fiscal Rules Act (passed the first reading in parliament in January 2015 and is expected to be adopted in Q1-2015). The Public Finance Act will be amended within six months of the adoption of the Fiscal Rules Act and will contain detailed provisions defining the drafting, implementation and monitoring of the budget of all general government entities. <strong>Some progress</strong> has been made with the expenditure review in the healthcare sector. The authorities have indicated that the review will be undertaken in cooperation with the European Observatory on Health Systems and Policies and the World Health Organisation (WHO). A remit for the review has been drawn up and a workshop was held in January 2014 to finalise the proposal. It is intended that the scope will be wider than just expenditure and will include; (i) an analysis of the financing of the</td>
<td>1. Ensure a durable correction of the excessive deficit in 2015, and achieve a fiscal adjustment of 0.6% of GDP towards the medium-term budgetary objective in 2016. Adopt the Fiscal Rule Act and revise the Public Finance Act. Advance long-term reform of the pension system. <strong>By end of 2015, adopt a healthcare and long-term care reform.</strong></td>
<td>Limited progress: (this overall evaluation excludes an assessment of compliance with the Stability and Growth Pact): <strong>Some progress</strong> was made in reforming the fiscal and budgetary framework. The Fiscal Rules Act was passed by the Parliament in July 2015 but the establishment of the Fiscal Council has been delayed. It is expected that its members will only be appointed in mid-March 2016, which puts at risk the Fiscal Council’s ability to assess and provide an opinion on the 2016 Stability Programme. Amendments to the Public Finance Act have been prepared and were published for public consultation at end January 2016. <strong>Limited progress</strong> was made in advancing the pension reform. A White Paper on pensions is expected in early-2016. It will open a wide public consultation, which will serve as the basis for a new pension reform. <strong>Limited progress</strong> was made in advancing the healthcare reform. A comprehensive review of the healthcare system was completed. Based</td>
<td></td>
</tr>
</tbody>
</table>
budgetary process and introducing clear procedural arrangements for monitoring budgetary outcomes as soon as possible. Launch a comprehensive review of expenditure covering state and local government levels, direct and indirect budget users and municipality-owned providers of utilities and services in the area of healthcare by the end of 2014 with a view to realising budgetary savings in 2015 and beyond.

<table>
<thead>
<tr>
<th>health system, (ii) an expenditure review, (iii) a review of the ‘benefit basket’ and (iv) an assessment of health technology. The expenditure review and the National Healthcare Resolution will provide a basis for comprehensive healthcare reform.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Limited progress border=&quot;true&quot;&gt;<strong>Limited progress</strong> was made in advancing the long-term care reform. A draft law was due to enter public consultation in October 2015 but has been postponed. Its final adoption will await the reform of healthcare as the latter needs to clarify the issue of financing.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2. Based on the public consultation, agree measures to ensure the sustainability of the pension system and adequacy of pensions beyond 2020, encompassing adjustments of key parameters, such as linking the statutory retirement age to gains in life expectancy and encouraging private contributions to the second pillar of the pension system. Contain age-related expenditure on long-term care by targeting benefits to those most in need and refocusing care provision from institutional to home care.</th>
</tr>
</thead>
<tbody>
<tr>
<td>See CSR 1. border=&quot;true&quot;&gt;Some progress has been made in alleviating the pressures on the medium-term sustainability and adequacy of the pension system but key parameters still need to be adjusted. In January 2015 the results of the evaluation of the impact of the 2013 pension reform were published. Fiscal savings have been realised over 2013-14 and further containment of the pension-related expenditures is expected for the period 2014-20. Elements of a further pension system reform are to be discussed in the context of a White Book, due to be published in mid-2015. The Legal act for the...</td>
</tr>
</tbody>
</table>

| on this analysis, The National Healthcare Resolution Plan 2016 – 2025 was adopted by the government end 2015 and is expected to be adopted by the Parliament in March 2016. In addition, the Health Care and Health Insurance Act is envisaged to be adopted by the Government in October and by Parliament end of 2016 or beginning of 2017. |

<table>
<thead>
<tr>
<th>2. Based on the public consultation, agree measures to ensure the sustainability of the pension system and adequacy of pensions beyond 2020, encompassing adjustments of key parameters, such as linking the statutory retirement age to gains in life expectancy and encouraging private contributions to the second pillar of the pension system. Contain age-related expenditure on long-term care by targeting benefits to those most in need and refocusing care provision from institutional to home care.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Limited progress border=&quot;true&quot;&gt;<strong>Limited progress</strong> was made in advancing the long-term care reform. A draft law was due to enter public consultation in October 2015 but has been postponed. Its final adoption will await the reform of healthcare as the latter needs to clarify the issue of financing.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2. Based on the public consultation, agree measures to ensure the sustainability of the pension system and adequacy of pensions beyond 2020, encompassing adjustments of key parameters, such as linking the statutory retirement age to gains in life expectancy and encouraging private contributions to the second pillar of the pension system. Contain age-related expenditure on long-term care by targeting benefits to those most in need and refocusing care provision from institutional to home care.</th>
</tr>
</thead>
<tbody>
<tr>
<td>See CSR 1. border=&quot;true&quot;&gt;Some progress has been made in alleviating the pressures on the medium-term sustainability and adequacy of the pension system but key parameters still need to be adjusted. In January 2015 the results of the evaluation of the impact of the 2013 pension reform were published. Fiscal savings have been realised over 2013-14 and further containment of the pension-related expenditures is expected for the period 2014-20. Elements of a further pension system reform are to be discussed in the context of a White Book, due to be published in mid-2015. The Legal act for the...</td>
</tr>
</tbody>
</table>

| on this analysis, The National Healthcare Resolution Plan 2016 – 2025 was adopted by the government end 2015 and is expected to be adopted by the Parliament in March 2016. In addition, the Health Care and Health Insurance Act is envisaged to be adopted by the Government in October and by Parliament end of 2016 or beginning of 2017. |

<table>
<thead>
<tr>
<th>2. Based on the public consultation, agree measures to ensure the sustainability of the pension system and adequacy of pensions beyond 2020, encompassing adjustments of key parameters, such as linking the statutory retirement age to gains in life expectancy and encouraging private contributions to the second pillar of the pension system. Contain age-related expenditure on long-term care by targeting benefits to those most in need and refocusing care provision from institutional to home care.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Limited progress border=&quot;true&quot;&gt;<strong>Limited progress</strong> was made in advancing the long-term care reform. A draft law was due to enter public consultation in October 2015 but has been postponed. Its final adoption will await the reform of healthcare as the latter needs to clarify the issue of financing.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2. Based on the public consultation, agree measures to ensure the sustainability of the pension system and adequacy of pensions beyond 2020, encompassing adjustments of key parameters, such as linking the statutory retirement age to gains in life expectancy and encouraging private contributions to the second pillar of the pension system. Contain age-related expenditure on long-term care by targeting benefits to those most in need and refocusing care provision from institutional to home care.</th>
</tr>
</thead>
<tbody>
<tr>
<td>See CSR 1. border=&quot;true&quot;&gt;Some progress has been made in alleviating the pressures on the medium-term sustainability and adequacy of the pension system but key parameters still need to be adjusted. In January 2015 the results of the evaluation of the impact of the 2013 pension reform were published. Fiscal savings have been realised over 2013-14 and further containment of the pension-related expenditures is expected for the period 2014-20. Elements of a further pension system reform are to be discussed in the context of a White Book, due to be published in mid-2015. The Legal act for the...</td>
</tr>
</tbody>
</table>
Establishment and Functioning of the Demographic Fund is expected to be adopted in June 2015.

**No progress** has been made regarding the long-term care reform, the blueprint for which was adopted in September 2013. The adoption of the law will be postponed to the end of 2015 in order to tie in with the reform of health insurance schemes.

3. Following consultation with social partners and in accordance with national practices, develop a comprehensive Social Agreement by the end of 2014 ensuring that wage developments, including the minimum wage, support competitiveness, domestic demand and job creation. Redefine the composition of the minimum wage and review its indexation system. Take measures for further decreasing segmentation, in particular addressing the efficiency of incentives for hiring young and older workers and the use of civil law contracts. Adopt the Act on Student Work. Prioritise outreach to non-registered young people ensuring adequate public employment services capacities. To increase employment of low-skilled and older workers, adapt the working environment to longer working life and focus resources on tailor-made active labour market policy measures, while improving their effectiveness. **Address skills**

Some progress:

Some progress has been made regarding wages, with the exception of the minimum wage. The Social Agreement (SA) has been fully accomplished (concluded in January 2015). The SA establishes the basis for private sector wage setting on ground of collective agreements, inflation and a share of sectorial productivity while growth of public sector wages has to lag behind private sector wage growth. The SA does not address the minimum wage.

The evaluation of the 2013 labour market reform shows that some progress has been made in addressing labour market segmentation. Limited progress has been made in addressing the employment of low-skilled and older workers.

The Student Work Act has been **adopted**. The draft Act on

2. Review, in consultation with the social partners and in accordance with national practices, the mechanism for setting the minimum wage, and in particular the role of allowances, in light of the impact on in-work poverty, job creation and competitiveness. Increase the employability of low skilled and older workers. **Take measures to address long-term unemployment and provide adequate incentives to extend working lives.**

Some progress:

Some progress was made on reviewing the mechanism for setting the minimum wage. In November 2015, the Parliament adopted a proposal for excluding the existing bonuses from the minimum wage, which was put forward by the trade unions. As a result, employer organizations withdrew from the Social Agreement weakening the social dialogue considerably.

Some progress was made regarding increasing the employability of long-term unemployed, low skilled and older workers. The government adopted the active labour market policies (ALMP) guidelines 2016-2020, which have been discussed with the social partners. The ALMP implementation plan, which represents the continuation of the approach implemented so far, was adopted in January 2016. Temporary exemptions from employers’ social contributions for
1. **mismatches** by improving the attractiveness of vocational education and training and by further developing cooperation with the relevant stakeholders in assessing labour market needs.

2. Occasional Student Work was incorporated into the December 2014 Public Finance Balance Act and entered into force in February 2015.

3. Some progress has been made regarding the Youth Guarantee Programme. The implementation of Youth Guarantee Programme is on track. 22,000 young are included in the measures; 90% of them received an offer from the public employment services.

4. Some progress has been made in addressing skills mismatch. In 2014 a proposal for the Act on the Slovenian Qualifications Framework was prepared and the Scholarship Act came into force. Scholarships for deficient professions will be awarded starting from January 2015. The employment services are preparing a biannual forecast of deficient occupations in parallel with the establishment of the National Career Point.

5. Newly employed workers older than 55 were adopted in November 2015.

4. **Complete the privatisation of NKBM** in 2014 as planned, prepare Abanka for privatisation in 2015, continue the prompt implementation of restructuring plans of the banks in receipt of State aid and the necessary consolidation of the banking sector. Based on the lessons from the asset quality review and stress test finalise the

4. Some progress:

5. **Further progress** has been made regarding the privatisation of NKBM. Binding offers for NKBM have been submitted. Negotiations are in the final stage and the government aims to sign the sales agreement in the first quarter of 2015.
A comprehensive action plan for banks in August 2014, including specific measures to improve governance, supervision, risk management, credit approval process and data quality and availability. Reinforce banks' capacity to work out non-performing loans by strengthening the internal asset management and restructuring units. **Clarify the mandate of the Bank Asset Management Company** by publishing a comprehensive management strategy and business plan by September 2014, detailing its role in restructuring of its assets, redemption targets, budgets, asset management plans and expected returns, while ensuring adequate resources.

The privatisation process of Abanka is **expected to be launched** only in January 2016 once the merger with Banka Celje is **completed**.

The operational restructuring of the four major state-owned banks (NLB, NKBM, Abanka and Celje) and the wind-down of two smaller domestic banks are **on track**.

**Substantial progress** has been made regarding further stabilisation of the banking sector. The recapitalisation of Abanka was implemented in October 2014 and the recapitalisation of Banka Celje took place at the end of 2014.

**Some progress** has been made regarding the banking sector action plan. A comprehensive action plan for banks has been finalized and submitted to the Prime Minister office in January 2015. Bank of Slovenia has ensured follow-up of the shortcomings identified by the 2013 AQR and will resume on-site inspections in Q1-2015 to verify whether the recommendations have been implemented by banks.

**Some progress** has been made regarding the banks’ workout capacity. The major banks have reorganized and reinforced their work-out and restructuring units.
<table>
<thead>
<tr>
<th>Substantial progress</th>
<th>has been made regarding the Bank Asset Management Company (BAMC), which has set out its strategy and business plan and is fully operational. Certain amendments to the legislation still need to be adopted.</th>
</tr>
</thead>
<tbody>
<tr>
<td>5. Continue to implement the privatisations announced in 2013 with the time-frames set. Adopt a strategy for the Slovenian Sovereign Holding with a clear classification of assets in line with the timeline and definitions established in the 2014 Slovenian Sovereign Holding Act. By November 2014, commit to a short-term (one- to two-year horizon) divestment schedule for a number of well-targeted assets with a clear time scale. Make it fully operational as a vehicle for the management of assets remaining in State ownership and divestment of the assets earmarked according to the management acts, within the time frame stipulated by the law. By September 2014, adopt and implement a corporate governance code for state-owned enterprises to ensure professional, transparent and independent management.</td>
<td></td>
</tr>
<tr>
<td>Some progress:</td>
<td>Substantial progress has been made in reduction of the level of non-performing loans (NPLs). NPLs continued to decrease in absolute and relative terms; a further decrease is projected for 2016. However NPLs are still at high levels compared to pre-crisis period. Substantial progress has been made in improving the credit risk monitoring in banks. Action plans including specific targets have been prepared by individual banks and are continuously monitored. Banks introduced a regular data collection necessary for the adoption of the internal rating based model for credit risk reporting. Yet, it will still take several years before the model is in place for supervisory purposes (indicative objective is 2018-19).</td>
</tr>
<tr>
<td>Some progress has been made regarding privatisation. Three companies from the list of 15 have been divested, including Aerodrom Ljubljana, while direct state ownership in one company has been diluted following a debt-to-equity swap. The sale of Telekom Slovenije and NKBM, the two biggest assets on the list, is at a final stage. Signing expected in April and March 2015 respectively.</td>
<td></td>
</tr>
<tr>
<td>Limited progress has been made in adopting the SSH strategy and the short-term divestment schedule for state-owned assets.</td>
<td></td>
</tr>
<tr>
<td>Substantial progress has been made regarding the operationalization of the SSH. In December 2014 the SSH has adopted an Asset Management Policy and a management contract between the SSH and the Government is signed, determining the payment of management fees to the first. In December 2014, an open public process was launched for</td>
<td></td>
</tr>
<tr>
<td>3. Bring down the level of non-performing loans in banks by introducing specific targets. Improve credit risk monitoring capacity in banks. Continue corporate restructuring and maintain strong corporate governance in the Bank Asset Management Company. Take measures to improve access to finance for SMEs and micro companies. Adopt a strategy for the Slovenian Sovereign Holding with a clear classification of assets, implement an annual asset management plan and apply performance criteria.</td>
<td></td>
</tr>
<tr>
<td>Substantial progress:</td>
<td></td>
</tr>
<tr>
<td>Substantial progress has been made in corporate and banking sector restructuring. Operational and financial restructuring of major corporates is completed and master restructuring agreements are continuously monitored. The</td>
<td></td>
</tr>
</tbody>
</table>
compiling a list of candidate members for the new supervisory board of SSH. A special committee is evaluating the submitted applications. In January 2015, a compliance officer was appointed by SSH. In January 2015 SSH became the sole owner of PDP. In October 2014 SSH acquired all the assets previously owned by DSU.

The new corporate governance code was adopted by the supervisory board of SSH in December 2014.

The restructuring of several SMEs has started. Guidelines for the restructuring of SMEs are currently implemented by the banks. The new insolvency framework supports corporate restructuring and offers a number of different tools for the reorganisation of enterprises. The Bank Asset Management Company (BAMC) is fully operational and independent. The strategy 2017-22 has been set out and the life span of the BAMC has been extended by five years. Additional restructuring tools are available.

Some progress has been made regarding access to finance for SMEs and micro companies. More funding has been made available for SMEs. Gap analysis has been completed and required future financing needs of the SMEs has been estimated. Solutions to address these gaps are under preparations. Bank of Slovenia is introducing an interactive central credit register for fiscal and legal entities that should reduce the risk of over-indebtedness of the SME sector.

Full implementation regarding the strategy for the Slovenian Sovereign Holding (SSH). In July 2015 the parliament adopted a strategy for the management of state assets held by the SSH. In December 2015, the Government approved an annual asset management plan for 2016 as
6. Finalise a corporate restructuring master plan by the end of 2014 within clear priorities and effective implementation process. Set up a central corporate restructuring task force monitoring and coordinating the overall restructuring process, providing the necessary expertise, guidance and advice, and facilitating the negotiation process between all stakeholders involved. Establish a list of the most urgent restructuring cases, while maximising the recovery value for creditors. Promote the use of the available legal mechanisms and international best practices to all stakeholders in the restructuring process. Evaluate recent changes in the insolvency legislation by September 2014, being ready to introduce any additional necessary measure. Further reduce the length of judicial proceedings at first instance in litigious civil and commercial cases including cases under the insolvency legislation, and the number of pending cases, in particular enforcement and insolvency cases.

**Substantial progress:**
Both the corporate restructuring master plan and the central task force have been established. In December 2014 the restructuring master plan has been finalised. In January 2015 a centralised corporate restructuring task force was established to monitor and coordinate the overall restructuring process, to facilitate the negotiation process between all stakeholders involved, to promote the use of the available legal mechanisms and out-of-court solutions and to provide the necessary guidance and advice.

**Substantial progress** has been made regarding the restructuring of the most urgent restructuring cases.

The evaluation of recent changes in the insolvency legislation has been fully addressed. In January 2015, the authorities presented the advanced version from an ongoing evaluation exercise of the laws adopted in 2013 which amended and complemented the insolvency law. The authorities do currently not see a need for further amendments to the insolvency framework. The key finding of the evaluation is that the new framework allows more

4. Ensure that the reforms adopted to improve the efficiency of civil justice help reduce the length of proceedings.

**Some progress:**
Falling workload of courts helped to maintain positive trends regarding the decrease of backlog and length of proceedings, and increase of clearance rates, particularly since courts resolve fewer cases every year.

Further enhancement of case management and business processes is underway. Digitalisation projects and ICT platforms (e-filings, e-service, postal highway etc.) help to free up and reallocate the Court system's resources. Most notably, time frames for each proceeding are being developed.

The authorities are planning a number of additional measures to strengthen the quality and the efficiency of the court system. These include amendments to the civil procedure act, e-auction system in enforcement and a major reorganisation of the first instance courts.
Some progress in reducing the length of judicial proceedings at first instance in litigious civil and commercial cases (incl. cases under the insolvency legislation) has been made, however the length of trials and backlogs remain still significant.

7. Reduce obstacles to **doing business** in Slovenia in key areas for economic development rendering the country more attractive to foreign direct investment particularly through accelerated liberalisation of regulated professions, reduction of administrative burden including leaner authorisation schemes. Ensure sufficient budgetary autonomy for the Competition Protection Agency and increase its institutional independence. Streamline priorities and ensure consistency between the 2011 Research and Innovation and the 2013 Industrial Policy Strategies with the upcoming strategies on Smart Specialisation and Transport, ensure their prompt implementation and assessment of effectiveness.

<table>
<thead>
<tr>
<th><strong>Some progress:</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Limited progress has been made regarding the promotion of FDI. The new FDI Strategy is expected to be adopted in Q1-2015.</td>
</tr>
<tr>
<td>Some progress has been made regarding the deregulation of professions. The number of regulated professions has decreased from 323 to 242</td>
</tr>
<tr>
<td>Some progress has been made regarding the reduction of administrative burden. 25% of measures included in the Single document were implemented.</td>
</tr>
<tr>
<td>Substantial progress has been made in ensuring sufficient budgetary autonomy for the Competition Protection Agency and in maintaining its institutional independence.</td>
</tr>
<tr>
<td>No progress has been made regarding leaner authorisation</td>
</tr>
</tbody>
</table>
schemes and the implementation of the National Research policy and Slovenian Industrial policy.

**Some progress** has been made regarding the Smart Specialization Strategy. The adoption of the Strategy is foreseen in April 2015.

**Some progress** has been made regarding the Comprehensive Transport strategy. Public and cross-border consultations on the draft strategy (dated 15 October 2014) were held and the draft is foreseen to be revised to reflect the relevant observations and comments received. The strategy is expected to be adopted in September 2015.

**No progress** has been made regarding the streamlining of priorities and ensuring consistency among the existing strategies.

8. Take effective measures to fight corruption, enhancing **transparency and accountability**, and introducing external performance evaluation and quality control procedures.

**Some progress:**

**Some progress** has been made regarding the fight against corruption. The new government reiterated its commitment to fight corruption and adopted a new two-year programme of 11 perennial measures in January 2015.

**Some progress** has been made regarding transparency and accountability. A comprehensive public-sector reform is in public consultation and is expected to be
adopted by the end of February 2015.

No progress has been made regarding performance evaluation and quality control procedures.
1. Following the **correction of the excessive deficit**, reinforce the budgetary measures for 2014 in the light of the emerging gap of 0.3 % of GDP relative to the preventive arm of the Stability and Growth Pact requirements based on the Commission services 2014 Spring forecast. In 2015, ensure the required adjustment of 0.1 % of GDP towards the medium-term objective taking into account the expected weak economic conditions. Thereafter, until the medium-term objective is achieved, pursue an annual structural adjustment of 0.5 % of GDP as a benchmark. Further strengthen the fiscal framework, also by ensuring binding and enforceable expenditure ceilings. Improve the long-term sustainability of public finance by increasing the cost-effectiveness of the healthcare sector, in particular by rationalising hospital care and management and by strengthening primary care.

2. Improve the efficiency of the **tax administration** by strengthening its audit, risk assessment and debt collection capacity. Link the basis for real-estate taxation to the market value of the property.

### Assessment of implementation of CSR 2014 (based on COM staff document)

- **Limited progress** (this overall assessment of CSR 1 excludes an assessment of compliance with the Stability and Growth Pact):
  - **No progress** with respect to further strengthening the fiscal framework. The Draft Budgetary Plan does not mention any measures aimed at strengthening the fiscal framework by designing binding and enforceable expenditure ceilings.
  - **Limited progress** with respect to increasing the cost-effectiveness of the healthcare sector. Most measures of the Strategic framework are still in a preparatory phase.

### Country Specific Recommendations 2015

1. Improve the cost-effectiveness of the healthcare sector, including by improving the management of hospital care and strengthening primary healthcare. **Take measures to increase tax collection.**

- **Limited progress**: Some progress has been made on increasing the cost-effectiveness of the healthcare sector. Several measures are at various stages of implementation, such as the ongoing work on the reimbursement system for hospital care and on the integrated model of healthcare.

- **Some progress** has been made to increase tax collection. The action plan to fight tax evasion was updated in 2015 and new measures announced.
| 3. More effectively address **long-term unemployment** through activation measures, second-chance education and tailored quality training. Enhance the **capacity of public employment services** for case management, personalised counselling and activation of jobseekers, and strengthen the link between activation and social assistance. Effectively tackle youth unemployment by improving early intervention, in line with the objectives of a youth guarantee. Improve incentives for women's employment, by enhancing the provision of childcare facilities, in particular for children below three years of age. | **No progress** in reforming real estate taxation as no legislation has been adopted. |

**Some progress:**

- **Some progress** has been achieved in addressing disincentives in the social benefit system (e.g. the introduction of in-work benefit or temporary reduction of the tax wedge for long-term unemployed recruits).

- **Limited progress** has been made to increase access to second chance education and tailored quality training.

- **Limited progress** has been achieved in enhancement of the capacity of public employment services as the reform is on-going (with completion foreseen for 2020 only).

- **Some progress** in tackling youth unemployment, due both to authorities' stepping up efforts and to general improvement in labour market conditions.

- **Limited progress** has been made in improving access to childcare services in particular for children below 3. The government has set a target of expanding capacity in preschool facilities.

**2. Take additional measures to address long term unemployment** by improving activation measures, second chance education and introducing high-quality training tailored to individuals’ needs. Improve the incentives for women to remain in or return to employment by improving the provision of childcare facilities. | **Limited progress:**

- **Limited progress** has been achieved in improving the activation measures for long-term unemployed. The reform of the public employment services is ongoing but the potential for individualised support to the long-term unemployed still needs to be realised.

- **Some progress** has been achieved towards increasing the provision of training tailored to individual needs of jobseekers (e.g. through the RE-PAS project).

- **No progress** has been made towards improving access to second-chance education.

- **Some progress** has been evidenced towards increasing the capacity of and access to early childhood education and care, particularly for the over threes. For children below three the childcare allowance was increased, but there was no progress in setting up a legislative framework on childcare services.
<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>4.</td>
<td>Take measures to increase the quality of teaching in order to raise educational outcomes. Reinforce the provision of <strong>work-based learning in companies</strong> in vocational education and training. Adapt accreditation, funding and governance measures to encourage the creation of profession-oriented bachelor-level programmes. Improve the quality and relevance of the science base and implement plans to foster effective knowledge transfer and cooperation between academia, research and business. Adopt systemic measures to improve access to <strong>high quality and inclusive pre-school and school education for marginalised communities</strong>, including Roma and take steps to increase their wider participation in vocational training and higher education.</td>
<td><strong>Limited progress</strong></td>
</tr>
<tr>
<td>3.</td>
<td>Improve teacher training and the attractiveness of teaching as a profession to stem the decline in educational outcomes. <strong>Increase the participation of Roma children</strong> in mainstream education and in high-quality early childhood education.</td>
<td><strong>Limited progress</strong></td>
</tr>
</tbody>
</table>
5. Step up efforts to make the **energy market function better**, in particular by increasing the public transparency of the regulatory framework and by exploring the determinants of the high electricity network charges, in particular for industrial consumers. Building on the progress made so far, further develop interconnections with neighbouring countries, including with Ukraine, in accordance with the Memorandum of Understanding signed in April.

**Limited progress:**

**No progress** has been made with respect to public transparency of the regulatory framework and analysis of determinants of the high electricity network charges.

**Substantial progress** has been made with respect to further developing interconnections with neighbouring countries. In particular, the gas reverse flow with Ukraine has been operational since September 2014.

6. Take measures, including by amending the Act on Civil Service, to increase the **independence of the public service**. Adopt a strategy to improve the management of human resources in public administration. Step up efforts to strengthen analytical capacity in key ministries with a view to adopting evidence-based policies, and improving the quality of policy impact assessment. Take steps to fight **corruption** and accelerate efforts to improve the efficiency and quality of the **judicial system**. Introduce measures to improve the business environment including for SMEs. Step up efforts to improve the efficiency of public procurement.

**Limited progress:**

**Limited progress** has been made in increasing the independence of the public service. The adoption of the amendment to the Civil Service Act is expected by mid-2015 with an entry into force 2016.

**Limited progress** has been achieved in adopting a strategy to improve the management of human resources. A strategy is being developed in parallel to the Civil Service Act.

**Limited progress** has been registered with respect to strengthening analytical capacity in key ministries. The Ministry of Finance has been entrusted with drafting the strategy on how to improve analytical capacities.

4. To boost investment in infrastructure, **improve and streamline the administrative procedures** for obtaining land-use and construction permits. **Increase competition in public tenders and improve supervisory mechanisms in public procurement.**

**Limited progress:**

**Some progress** has been achieved towards improving and streamlining the administrative procedures for obtaining land-use and construction permits. A project (e-STAK) was launched in 2015 and an amendment to the Construction Act was adopted in September 2015.

**Limited progress** was made to increase competition in public tenders and improve supervisory mechanisms in public procurement. The amendment to the Act on Public Procurement excludes companies which do not disclose their ownership structure from participating in public tenders. The electronic contracting system for tenders above the EU thresholds is being prepared.
Some progress has been achieved on improving the quality of policy impact assessment. The government amended the methodology on regulatory impact assessments and the Centre for Better Regulation will be created.

Limited progress has been achieved in fighting corruption. The new legislation on whistleblowing was adopted in 2014 and an Action plan on fighting corruption has been updated in December 2014.

Limited progress has been assessed with respect to the justice system. A new Act on arbitration came into force. A Constitutional reform aimed at improving the functioning of the Judicial Council but also included a contentious suitability requirement for judges. The reform of civil procedure and IT projects are ongoing.

Limited progress has been achieved in terms of improving the business environment. A one-stop shop for starting a company should be fully operational by the end of 2015. The National Business Centre is scheduled to become operational in 2016.

Limited progress has been observed with respect to improving the efficiency of public procurement. The Electronic
Contracting System was launched during 2014 but is applied only for public contracts under the EU thresholds for off-the-shelf supplies.
| FI | **Country Specific Recommendations 2014**  
SGP: CSR 1 and MIP: CSR 2, 4, 5 | **Assessment of implementation of CSR 2014**  
(based on COM staff document) | **Country Specific Recommendations 2015**  
SGP: CSR 1 and MIP: CSR 2, 3 | **Assessment of implementation of CSR 2015**  
(based on COM staff document) |
|---|---|---|---|---|
| 1. Limit the emerging gap relative to the medium-term objective, ensure to return to it in 2015 and respect it thereafter as planned. Ensure that the debt criterion is fulfilled, while pursuing a growth-friendly fiscal policy. Implement rapidly the reforms set out in the structural policy programme and government spending limits and fiscal plan for 2015-2018 in order to reduce the fiscal sustainability gap and strengthen conditions for growth. | **Some progress** *(This overall assessment of CSR 1 excludes an assessment of compliance with the Stability and Growth Pact.)*  
**Some progress** regarding the implementation of the structural policy programme. The government is preparing the legislative acts needed for implementation of the structural policy programme. Some of the obligations of municipalities have been reduced, and the government has put forward plans to steer municipal finances through the general government fiscal plan. | 1. Achieve a fiscal adjustment of at least 0,1 % of GDP towards the medium-term budgetary objective in 2015 and of 0,5 % of GDP in 2016. Continue efforts to reduce the fiscal sustainability gap and strengthen conditions for growth. | **CSRs related to compliance with the Stability and Growth Pact will be assessed in spring once the final data will be available.** |
| 2. Ensure effective implementation of the ongoing administrative reforms concerning municipal structure and social and healthcare services, in order to increase the cost-effectiveness in the provision of public services. | **Some progress:**  
**Some progress** regarding the implementation of the administrative reforms. Regarding social and healthcare reform, a draft fundamental legislative proposal introduced by the government has been deemed incompatible with the constitution and needs to be revised. Regarding reform of municipal structures, the process is proceeding with some delays. Municipalities are carrying out their merger reviews. However, the government has decided to create a metropolitan authority in Helsinki region. | 2. 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. | **Substantial progress** in adopting the agreed pension reform and gradually eliminating early exit pathways. The parliament has legislated the pension reform on 20 November 2015. As of 2027, the earliest eligibility for old-age pension will be linked to life expectancy. However, the extended unemployment benefits for the elderly unemployed have not been linked with the pension age. |
### 3. Improve the use of the full labour force potential in the labour market, including by improving the employment rate and the employability of older workers, and increasing the effective retirement age, by reducing early exit pathways and aligning the retirement age or pension benefits to changes in life expectancy. Improve the labour-market prospects of young people and the long-term unemployed, with a particular focus on vocational education and targeted activation measures.

**Some progress:**

- **Some progress** in improving the use of full labour force potential. The Finnish wage subsidy system has been reformed with effect from the beginning of 2015, with a particular focus on the elderly and a clarified system for all potential recipients. Wage subsidies for the over-60s who have been unemployed for over 12 months will be introduced on a permanent basis.

- **Some progress** in improving the labour market prospects of the young people and the long-term unemployed. The Youth Guarantee has been introduced and implemented. It has contributed to limiting youth unemployment, with 67.8% of guarantee beneficiaries starting a job, a traineeship, apprenticeship or further education within four months of registering.

---

### 3. Pursue efforts to improve the employability of young people, older workers and the long-term unemployed, focusing particularly on developing job-relevant skills.

**Some progress:**

- **Some progress** in pursuing efforts to improve the employability of young people, older workers and the long-term unemployed, focusing particularly on developing job-relevant skills. **Promote wage developments in line with productivity** fully respecting the role of the social partners and in accordance with national practices.

**Some progress** in promoting wage developments in line with productivity fully respecting the role of the social partners and in accordance with national practices. The collective bargaining agreement concluded in 2015 will raise salaries with a modest 0.5% in 2016.
with the Finnish public employment service (after six months this increased to 89.6% of guarantee beneficiaries). However, taking better into account young people not in education, employment or training and targeting specific subgroups could increase its impact. Regarding the long-term unemployed, a new law has been adopted regarding a multi professional joint service. The public employment service would work together with the municipal authorities and the social security institution to ensure tailor-made approach and a more intensive follow-up of the long-term unemployed.

**Some progress** in increasing the effective retirement age. The social partners in Finland reached an agreement in September 2014 about a pension reform that will take effect in 2017. The agreement will be legislated once the details have been successfully established. The pension age will be raised gradually for those born in 1955, or later, until the lowest pension age is 65 (now 63). The pension age will be linked to life expectancy from 2027 so that the relation of time in work and on pension remains at the level of 2025.
4. **Continue efforts to enhance competition in product and service markets**, especially in the retail sector, by implementing the programme on promoting healthy competition, including amendments of the land use and building act to make it more supportive to healthy competition. **Limited progress** in addressing competition in product and service markets. Although steps have been taken to improve competition in the retail sector, issues remain in particular with regard to large commercial establishments, due to planning law restrictions and market conditions. The healthy competition programme is not yet fully implemented. A new proposal for modification of the Land Use and Building Act presented to the Parliament in December 2014 incorporated competition as an objective, but the restrictions regarding large-scale outlets have not been addressed and remain problematic.

5. **Continue to boost Finland’s capacity to deliver innovative products, services and high-growth companies in a rapidly changing environment, and continue the diversification of industry**, in particular by improving the business environment to strengthen investment in Finland and further facilitating smaller firms’ entry into export markets. Step up the development of cross-border gas connection to Estonia. **Some progress** in boosting the capacity to deliver innovative products. The government is implementing a comprehensive reform of research institutes and research funding. Moreover, the government is reforming the funding model of both universities and polytechnics with specific attention to the utilisation of research. Policy programmes for clean technology, biotechnology and digitalisation are promising but are relatively small. Finland has allocated a significant share of European Regional Development

4. **Take measures to open the retail sector to effective competition.** **Some progress**

The competitive landscape has improved. The law restricting opening hours has been abolished. The Land Use and Building Act has been amended to improve the conditions for retail establishments. Establishment of Alko alcohol monopoly stores is no longer confined to the vicinity of Kesko and S Group stores.
Fund investments over 2014-20 to promote research and Development and enterprise growth.

**Some progress** in the development of cross-border gas connection to Estonia. The parties have agreed on the ‘Roadmap on the development of the ‘Baltic connector’. The Prime Ministers concluded the ‘Communiqué Common approach for developing regional gas infrastructure in Estonia and Finland’ which covers the development of the Baltic connector and the Regional Baltic LNG Terminal. The Prime Ministers agreed that construction of the Baltic connector is to be completed by 2019, if technically feasible, and if a grant from the Union’s Connecting Europe Facility (CEF) programme is provided.

**Limited progress** in the diversification of industry. The government’s structural policy programme has included steps to make support systems for businesses simpler and more efficient. Considerable efforts have been made in adding financing for start-ups, and in promoting their internationalisation. Despite these steps, investment in Finland has remained low, export difficulties have continued and employment has been reduced.
1. Continue to pursue a **growth-friendly fiscal policy** and preserve a sound fiscal position, ensuring that the medium-term budgetary objective is adhered to throughout the period covered by the Convergence Programme, also with a view to the challenges posed on the long-term sustainability of public finances by an ageing population.

**Assessment of implementation of CSR 2014**

- **Some progress** (this overall assessment of CSR1 excludes an assessment of compliance with the Stability and Growth Pact):
  - **Limited progress** in further enhancing the efficiency of public spending on long-term care linked to an ageing population.

2. Moderate household sector credit growth and private indebtedness. To this end, reduce the effects of the debt bias in personal income taxation by gradually limiting tax deductibility of interest payments on **mortgages** and/or by increasing recurrent **property taxes**. Take further measures to increase the pace of amortisation of mortgages.

**Assessment of implementation of CSR 2015**

- **Limited progress**
  - **No progress** in reviewing the taxation of relevance to housing, i.e. the mortgage interest deductibility rules and property taxation.
  - **Some progress** in promoting an amortisation culture, with the Financial Supervisory Authority announcing new rules regarding amortisation down to 50% for new mortgage loans. The measure remains to be fully defined and implemented.

1. **Address the rise in household debt** by adjusting fiscal incentives, in particular by gradually limiting the tax deductibility of **mortgage** interest payments or by increasing recurrent **property taxes**, and by increasing the pace of mortgage amortisation. To alleviate the structural undersupply of housing, foster competition in the construction sector, streamline the planning and appeals procedures for construction and revise the rent-setting system to allow more market-oriented rent levels.

**Assessment of implementation of CSR 2015**

- **Limited progress**
  - **No progress** in adjusting fiscal incentives, i.e. changing the mortgage interest deductibility rules or property taxation.
  - **Some progress** in increasing the pace of mortgage amortisation: the Government prepared a proposal on compulsory amortisation requirement on mortgage loans and it was submitted to the Parliament. Limited progress in alleviating the structural undersupply of housing: the Government proposed in the Budget Bill for 2016 public funding to increase investments in the housing sector.
<table>
<thead>
<tr>
<th>Limited progress</th>
<th>Limited progress</th>
<th>Limited progress</th>
<th>Limited progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>Limited progress in fostering competition in the construction sector: the results of an inquiry have been published end 2015 recommending a set of measures.</td>
<td>Limited progress in rendering the zoning and planning processes more efficient by achieving further simplifications in this area (such as revision of noise regulation and shortening the appeal procedures). In addition, the results of an inquiry have been published end 2015 recommending additional set of measures.</td>
<td>Limited progress in reviewing the rent-setting system to allow more market-oriented rent levels.</td>
<td></td>
</tr>
<tr>
<td>No progress in reviewing the rent-setting system or the freedom of contract on the rental market.</td>
<td>No progress in reviewing the rent-setting system to allow more market-oriented rent levels.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Limited progress in rendering the zoning and planning processes more efficient. The full effect of some previously adopted measures (for example regarding a review of noise rules, amended procedures regarding appeals etc) is still to be seen and the rules regarding letting of private dwellings have been eased (although they are now to be reviewed by the new government). In addition, as from July 2014, homeowners may build a</td>
<td>Limited progress in rendering the zoning and planning processes more efficient. The full effect of some previously adopted measures (for example regarding a review of noise rules, amended procedures regarding appeals etc) is still to be seen and the rules regarding letting of private dwellings have been eased (although they are now to be reviewed by the new government). In addition, as from July 2014, homeowners may build a</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Further improve the efficiency of the housing market through continued reforms of the rent-setting system. In particular, allow more market-oriented rent levels by moving away from the utility value system and further liberalising certain segments of the rental market, and greater freedom of contract between individual tenants and landlords. Decrease the length and complexity of the planning and appeal processes, by reducing and merging administrative requirements, harmonising building requirements and standards across municipalities and increasing transparency for land allotment procedures. Encourage</td>
<td>3. Further improve the efficiency of the housing market through continued reforms of the rent-setting system. In particular, allow more market-oriented rent levels by moving away from the utility value system and further liberalising certain segments of the rental market, and greater freedom of contract between individual tenants and landlords. Decrease the length and complexity of the planning and appeal processes, by reducing and merging administrative requirements, harmonising building requirements and standards across municipalities and increasing transparency for land allotment procedures. Encourage</td>
<td>3. Further improve the efficiency of the housing market through continued reforms of the rent-setting system. In particular, allow more market-oriented rent levels by moving away from the utility value system and further liberalising certain segments of the rental market, and greater freedom of contract between individual tenants and landlords. Decrease the length and complexity of the planning and appeal processes, by reducing and merging administrative requirements, harmonising building requirements and standards across municipalities and increasing transparency for land allotment procedures. Encourage</td>
<td>3. Further improve the efficiency of the housing market through continued reforms of the rent-setting system. In particular, allow more market-oriented rent levels by moving away from the utility value system and further liberalising certain segments of the rental market, and greater freedom of contract between individual tenants and landlords. Decrease the length and complexity of the planning and appeal processes, by reducing and merging administrative requirements, harmonising building requirements and standards across municipalities and increasing transparency for land allotment procedures. Encourage</td>
</tr>
</tbody>
</table>
municipalities to make their own land available for new housing developments.

supplementary dwelling house on their plot of land without the need for a building licence.

**Limited progress** regarding municipalities’ incentives. A public inquiry has been set up to investigate regulations governing land use and planning and also propose measures that increase municipal planning for housing and the supply of land.

4. Take appropriate measures to improve basic skills and facilitate the **transition from education to the labour market**, including through a wider use of work-based training and apprenticeships. Reinforce efforts to target labour market and education measures more effectively towards low-educated young people and people with a migrant background. Increase early intervention and outreach to young people who are unregistered with the public services.

**Some progress:**

**Limited progress** in taking measures to improve basic skills. Teaching hours in mathematics have been increased. The Institute for School Research started work on 1 January 2015 to strengthen the evidence-base of education reforms. An independent School Commission is still to be established to propose long-term school reforms and national goals.

**Some progress** in facilitating the transition from education to the labour market, e.g. through the introduction of an upper secondary apprentice employment contract. Some take-up issues still remain to be addressed.

**Some progress** on fully implementing the Youth Guarantee for persons not in employment, education or training (NEETs), but not yet ensuring that all categories
of young people benefit from the national guarantee. A new youth policy framework includes continued efforts to develop activities for NEETs. Adequate coordination at local level still remains to be ensured.

**Limited progress** in targeting labour market and education measures more effectively to the vulnerable groups. A set of new measures targeted towards newly arrived migrants was adopted in June 2014, which serves to tighten benefit conditions for migrants. A comprehensive proposal regarding the education of newly arrived students was announced and expected to enter into force on 1 January 2016. The Education Act was amended in July 2014 to oblige municipalities to consider socio economic factors when allocating school resources.
### UK

#### Country Specific Recommendations 2014

SGP: CSR 1 and MIP: CSR 2, 3, 5, 6

1. **Reinforce the budgetary strategy**, endeavouring to correct the excessive deficit in a sustainable manner in line with the Council recommendation under the **Excessive Deficit Procedure**. Pursue a differentiated, growth-friendly approach to fiscal tightening by prioritising capital expenditure. To assist with **fiscal consolidation**, consideration should be given to raising revenues through broadening the tax base. Address structural bottlenecks related to infrastructure, skills mismatches and access to finance for SMEs to boost growth in the export of both goods and services.

#### Assessment of implementation of CSR 2014

(based on COM staff document)

| **Some progress** (this overall assessment of CSR1 excludes an assessment of compliance with the Stability and Growth Pact): |
| **Some progress** in prioritising capital expenditure. The government has committed to reducing current expenditure in order to increase capital spending by GBP 3 billion each year from 2015-16; |
| **Limited progress** in raising revenues through broadening the tax base. However, current actions include measures on base erosion and profit shifting; tax planning and fairness measures; corporation tax accounting treatment of credit losses; bank losses restriction; self-incorporation; intangible assets; |
| **Some progress** in addressing structural bottlenecks, such as the establishment of a direct lending facility. |

2. **Increase the transparency of the use and impact of macro-prudential regulation in respect of the housing sector** by the Bank of England's Financial Policy Committee. Deploy appropriate measures to respond to the rapid increases in property prices in areas that account for a

#### Country Specific Recommendations 2015

SGP: CSR 1 and MIP: CSR 2, 3

1. **Ensure effective action under the excessive deficit procedure** and endeavour to correct the excessive deficit in a durable manner by 2016-17, in particular by prioritising capital expenditure.

#### Assessment of implementation of CSR 2015

(based on COM staff document)

| **Some progress**: |
| **Substantial progress** in mitigating risks related to high mortgage indebtedness. through macro prudential regulation; |
| **Substantial progress** in monitor the |

2. **Take further steps to boost supply in the housing sector**, including by implementing the reforms of the national planning policy framework.

#### Assessment of implementation of CSR 2015

| **Some progress**: |
| **Some progress** in boosting supply in the housing sector as throughout year the UK has announced various policies to raise housing supply relative to demand. These policies will make a difference but it will |
substantial share of economic growth in the United Kingdom, particularly London, and mitigate risks related to high mortgage indebtedness. Monitor the Help to Buy 2 scheme and adjust it if deemed necessary. Consider reforms to the taxation of land and property including measures on the revaluation of property to alleviate distortions in the housing market. Continue efforts to increase the supply of housing.

Help to Buy 2 scheme The FPC published its first review of the Help to Buy policy in October 2014;

**Some progress** in reforming to the taxation of land and property. The government announced a reform of stamp duty land tax;

**Some progress** in increasing the supply of housing. The government introduced various initiatives in 2014 such as plans to develop new garden cities.

3. Maintain commitment to the **Youth Contract**, especially by improving skills that meet employer needs. Ensure employer engagement by placing emphasis on addressing skills mismatches through more advanced and higher level skills provision and furthering apprenticeship offers. Reduce the number of young people with low basic skills.

**Some progress:**

**Some progress** in maintaining commitment to the Youth Contract, following the withdrawal of the wage incentive element. The government adopted new support packages for youth including Work Skills pilots which were launched in November 2014;

**Some progress** in addressing skills mismatches. The strengthening of vocational education and apprenticeships has continued, including increased duration of apprenticeships, introduction of assessment and the announcement of further funding for higher apprenticeships;

**Some progress** in reducing the number of young people with low basic skills. The revised national

3. **Address skills mismatches** by increasing employers’ engagement in the delivery of apprenticeships. Take action to further reduce the number of young people with low basic skills. Further **improve the availability of affordable, high-quality, full-time childcare.**

**Some progress:**

**Some progress** in the delivery of apprenticeships as several developments have occurred in the past year, including policy announcements affecting the quantity and quality of apprenticeships up to 2020. Legislation obliges the Government to report on progress towards targets (in England). Employer engagement is obliged via an Apprenticeship levy affecting Employers with payrolls greater than GBP 3m per annum. A new funding pilot is being trialled giving employers greater control over spending on training delivery.

**Some progress** in basic skills as several initiatives to improve basic skills are being implemented across each of the UK countries. In
curriculum was implemented in primary and lower secondary schools. The Welsh government published an education improvement plan for the period up to 2020.

England, ‘16 to 19 Study Programmes’ require students who have not achieved the required standard in English and/or mathematics to continue to study these subjects. The introduction of the new slimmed-down national curriculum in September 2014 is expected to improve children’s numeracy, language and literacy skills and knowledge. By 2016 primary schools will be judged against a new floor standard of 65% of students achieving the required standard in English and maths. A major transformation of the governance status of schools in England is underway. In general, the effect of these reforms has yet to be determined in terms of impact on student achievement.

Some progress in childcare as the initiative ‘Tax-free childcare’ was due to be introduced in autumn 2015 but is now scheduled for rollout in 2017. Currently, childcare tax credits are available for low-income employed families with analogous, and in some cases more generous, support available under Universal Credit. Significant expansion in provision for free childcare has been announced which will commence in pilot areas in September 2016 with intended nationwide rollout in September 2017. This envisages proposals to double the free childcare available to working
parents of three and four year olds from 15 to 30 hours per week over 38 weeks of the year from 2017 in England. Challenges on the supply side in childcare provision remain, with the majority of councils in Scotland, Wales and England not having sufficient childcare provision for parents who work full time.

| 4. Continue efforts to reduce child poverty in **low-income** households, by ensuring that the Universal Credit and other welfare reforms deliver adequate benefits with clear work incentives and support services. Improve the availability of affordable quality childcare. | **Limited progress:**

**Limited progress** in reducing child poverty in low income households;

**Limited progress** in improving the availability of affordable quality childcare. |

| 5. Continue efforts to **improve the availability of bank and non-bank financing to SMEs**. Ensure the effective functioning of the Business Bank and support an increased presence of challenger banks. | **Substantial progress:**

**Substantial progress** in improving the availability of bank and non-bank financing to SMEs;

**Substantial progress** in ensuring the effective functioning of the Business Bank. |

| 6. Follow up on the **National Infrastructure Plan** by increasing the predictability of the planning processes as well as providing clarity on funding commitments. Ensure transparency and accountability by providing consistent and timely information on the implementation of the Plan. | **Some progress:**

**Some progress** in implementing the National Infrastructure Plan. The Plan was updated and widened in scope;

**Substantial progress** in providing consistent and timely information on the implementation of the Plan. A new Major Infrastructure Tracking unit within the treasury tracks the progress of Top 40 investment. |
<table>
<thead>
<tr>
<th>Euro Area Council Recommendations 2014</th>
<th>Assessment of implementation of CSR 2014 (based on COM staff document)</th>
<th>Country Specific Recommendations 2015</th>
<th>Assessment of implementation of CSR 2015 (based on COM staff document)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Promote and monitor, in close cooperation with the Commission, the implementation of structural reforms in those areas most relevant for the smooth functioning of the euro area in order to foster growth and convergence and adjustment of internal and external imbalances. Assess and stimulate progress in delivering on reform commitments in euro area Member States experiencing excessive imbalances and in reform implementation in the euro area Member States with imbalances requiring decisive action, to limit negative spillovers to the rest of the euro area. Foster appropriate policies in countries with large current account surpluses to contribute to positive spillovers. Regularly hold thematic discussions on structural reforms in the labour and product markets with potentially large spillovers, focussing on reducing the high tax wedge on labour and reforming services markets.</td>
<td>Some progress: Progress in delivering reform commitments has notably been promoted at the euro area level, via i.a. technical discussions in Economic Policy Committee and Economic and Financial Committee and political discussion in Eurogroup and ECOFIN. Programme country’s reform progress, as well as discussion on reform progress in member states with excessive imbalances or imbalances requiring decisive action, has also taken place. The assessment of the implementation of country specific reform commitments in the individual Member States suggests that around [50]% of recommendations have seen at least some progress in the euro area as a whole. The Eurogroup has held a number of discussions related to fostering appropriate policies in countries with large current account surpluses, e.g. in the context of the DBP assessment. The Eurogroup has held two</td>
<td>1. Use peer pressure to promote structural reforms that facilitate the correction of large internal and external debts and support investment. Regularly assess the delivery of reforms in those Member States which require specific monitoring within the framework of the Macroeconomic Imbalances Procedure. Continue the regular thematic assessment of structural reforms. By spring 2016, take decisions on the follow-up to the coordination exercise on reducing the high tax wedge on labour and on reforming services markets.</td>
<td>Limited progress: Progress in delivering reform commitments has been promoted at the euro area level, via i.a. technical discussions in Economic Policy Committee and Economic and Financial Committee and political discussion in Eurogroup and ECOFIN. Programme countries’ reform progress, as well as discussion on reform progress in member states with excessive imbalances or imbalances requiring decisive action, has also taken place. The Eurogroup has held thematic discussions on reducing the high tax wedge on labour, inter alia agreeing on a benchmarking exercise, as well as on reforming services markets.</td>
</tr>
</tbody>
</table>
2. Coordinate fiscal policies of the euro area Member States, in close cooperation with the Commission, in particular when assessing draft budgetary plans to ensure a coherent and growth-friendly fiscal stance across the euro area. Improve the quality and sustainability of public finances by prioritising material and immaterial investment at national and EU levels. Ensure that national fiscal frameworks, including national fiscal councils, are strong.

Some progress:

Some progress has been made on the coordination of fiscal policies, to the extent that fiscal outlook for the euro area as a whole has improved and the aggregate fiscal stance seems appropriate. However, the coordination of the fiscal policies remains sub-optimal. Discussion has taken place in the context of the DBP assessment.

The Commission has published on 13 January a communication on the best use of the existing flexibility in the Stability and Growth Pact, including by facilitating investment.

Limited progress has been made on improving the quality and sustainability of public finances, which is a topic for upcoming thematic peer reviews in the EPC.

Discussion has taken place at technical level and at the Eurogroup and ECOFIN on the issue of promoting investment, including prioritising material and immaterial investment at national and EU levels.

Technical discussions have taken place in July and September on reducing the high tax wedge on labour and one will take place in March on reforming services markets.

2. Coordinate fiscal policies to ensure that the aggregate euro area fiscal stance is in line with sustainability risks and cyclical conditions. This is without prejudice to the fulfilment of the requirements of the Stability and Growth Pact. By spring 2016, hold thematic discussions on improvements in the quality and sustainability of public finances, focussing in particular on the prioritisation of tangible and intangible investment at national and EU levels, and on making tax systems more growth friendly.

Monitor the effective functioning of the recently strengthened national fiscal frameworks.

Some progress:

Assessments of the euro area fiscal stance have been carried by the Eurogroup, notably by reviewing the implementation of the Two-pack and discussing the implications of the Commission services’ autumn 2013 and 2015 forecast for fiscal surveillance.

The Eurogroup has held thematic discussions on fiscal frameworks.

In the EMU Package on 21 October 2015, the Commission published its decision to set up an European Fiscal Board to act as an independent advisory body. Its mandate will include to evaluate how fiscal governance framework was implemented, to advise on the euro area fiscal stance and to cooperate with the national fiscal councils.

Some progress has been made on the coordination of fiscal policies, in particular in the context of the assessment of the draft budgetary plans, to the extent that fiscal outlook for the euro area as a whole has improved and the aggregate fiscal stance seems appropriate.
place on national fiscal frameworks, including national fiscal councils. However, the distribution of the fiscal stance remains sub-optimal.

<table>
<thead>
<tr>
<th>3. Ensure the resilience of the banking system, in particular by taking the necessary action in the follow up of the asset quality review and the stress tests, and by implementing the Banking Union regulations and taking forward the further work foreseen in the SRM transition period. Stimulate private sector investment and increase the flow of credit to the economy via actions to improve access to credit by SMEs, deepening of capital markets, restarting the securitisation market, based on the proposals and the calendar in the Commission Communication on long-term financing of the European economy.</th>
<th>3. Ensure the timely finalisation of the follow up of the Comprehensive Assessment carried out by the European Central Bank, implementation of Directive 2014/59/EU of the European Parliament and of the Council3 (Bank Recovery and Resolution Directive), completion of the ratification of the Intergovernmental Agreement on the Single Resolution Fund and make the Fund fully operational as from January 2016. Promote measures to deepen market-based finance, to improve access to finance for SMEs and to develop alternative sources of finance. Encourage further reforms of national insolvency frameworks.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Substantial progress</strong>: Substantial progress in steps to ensure the resilience of the banking system: The ECB Comprehensive Assessment (CA), including the EBA coordinated EU-wide stress test, was successfully concluded in October 2014 and confirmed a significant improvement in the capitalisation of European banks over the last years. The follow up to the CA is underway. Banks with remaining shortfalls have prepared capital plans and have up to nine months to cover them. With regard to implementing Banking Union, the SSM officially took over its supervisory tasks on 4 November 2014. One of its main priorities is to ensure a level playing field across European significant banks, not only in terms of their supervision, but also in terms of consistent application of the single rulebook. Steps towards the operational establishment of the Single Resolution Board (SRB) are also on track. Permanent members of the SRB are expected to take up their duties in the coming months, with</td>
<td></td>
</tr>
<tr>
<td>Substantial progress: The ECB Single Supervisory Mechanism (SSM) became fully operational and responsible for direct supervision of the most significant euroarea banks. The asset quality review (the comprehensive assessment) of 130 banks was completed and the SSM started work towards further harmonisation of bank supervisory and regulatory treatment across the euro area. The establishment of the Single Resolution Board (SRB) and of the Single Resolution Fund (SRF) advanced according to plans in 2015. Work also progressed towards agreeing bridge financing arrangements for the SRF and towards the establishment of a common backstop for the SRF during the transition period. On 30 September 2015 the Commission launched the Capital Markets Union (CMU) Action Plan, aiming at boosting business funding and investment financing by building a single market for capital across the EU. This initiative will enable the development of alternative sources of finance complementary to bank financing and to break down barriers blocking the flow of credit to the economy.</td>
<td></td>
</tr>
</tbody>
</table>

**PE 542.659**
the elaboration of bank resolution plans due to start this year. The rules for the risk-adjusted calculation of the contributions of banks to the resolution funds under the Bank Recovery and Resolution Directive (BRRD) have been agreed.

**Some progress** in stimulating private sector investment and increase the flow of credit to the economy, by various measures:

In the context of public actions aimed to stimulate private investment directly, European Commission’s Investment Plan was launched in November 2014. It will provide for better integration and diversification of European funding markets and act as a catalyst for private sector investment.

The Regulation on European Long-term Investment Funds (ELTIF) will provide a common EU regulatory framework and pass porting rights for funds specialising in long term investments, for example in infrastructure projects or SMEs. The ELTIFs should be operational by mid-2015.

The European Commission has announced to work towards a capital markets union (CMU) to achieve a greater market size and depth and develop a true single market in cross-border investments in the EU. CMU should be particularly beneficial to SMEs and start-ups. Preparatory work has started and consultations are gearing up towards a legislative proposal for principles-based minimum harmonisation of business insolvency.
One of the Commission’s near-term priorities is the development of a sustainable EU securitisation market. In this context, the Commission is developing an approach that introduces more risk sensitivity into the framework. The adoption of “high-quality” criteria in October within the Commissions’ Delegated Acts on Solvency II (for insurer capital rules) and LCR (for bank liquidity rules) represents a first step in this direction. Additional public and private initiatives are needed to develop sound, deep and liquid securitisation markets in the EU.

4. Take forward work on deepening Economic and Monetary Union and contribute to the improvement of the economic surveillance framework in the context of the reviews foreseen for end 2014.

Some progress:

The Commission presented the Communication on the review of the Six- and Two-Pack legislation as a basis for discussion with the European Parliament and the Council. On that basis, the Commission will reflect whether adaptations to the legislation itself, or to its implementation in practice, are necessary.

The Commission has announced in the AGS a number of steps to improve the application of the economic governance system already in the 2015 European Semester.

With regard to the broader topic of deepening Economic and Monetary Union, and contribute to the improvement of the economic surveillance framework in the context of the review on the next steps on better economic governance in the euro area, prepared by the President of the European Commission, Jean-Claude Juncker, in close cooperation with the President of the European Council, Donald Tusk, the President of the European Parliament, Martin Schulz, the President of the European Central Bank, Mario Draghi, and the President of the Eurogroup, Jeroen Dijsselbloem, and its follow-up.

On 21 October 2015 the Commission adopted a package of measures to further strengthen and deepen the Economic and Monetary Union. It followed up on the Five Presidents’ Report published in June, which was based on a wide consultation with the Member States. The package proposals included measures to revamp the EU Semester, in particular by strengthening its euro area dimension, it presented proposals for an improved toolbox of economic governance, including a recommendations to establish national Competitiveness Boards.
deepening Economic and Monetary Union, the Euro summit of October invited the President of the European Commission with the Presidents of the ECB, European Council and Eurogroup to prepare further steps to strengthen economic governance. The December European Council called for informal discussion at the February European Council and report to the June European Council.

and a proposal for a more consistent external representation of the euro area.
AUTHORS

M. Hradiský, M. Ciucci and Solveiga Kumsare
Directorate for Economic and Scientific Policies
Directorate-General for the Internal Policies of the Union
European Parliament
B-1047 Brussels

LANGUAGE VERSION

Original: EN

ABOUT THE EDITOR

Economic Governance Support Unit provides support to the relevant bodies of the European Parliament in playing an effective role within the European Union framework for coordination and surveillance of economic and fiscal policies.
E-mail: egov@ep.europa.eu

This document is also available on Economic and Monetary Affairs Committee homepage, under section European Semester and Economic Dialogue at: www.europarl.europa.eu/ECON

Manuscript completed in February 2016.
© European Union, 2016

DISCLAIMER

This document is drafted by the Economic Governance Support Unit (EGOV) of the European Parliament based on publicly available information and is provided for information purposes only. The opinions expressed in this document are the sole responsibility of the authors and do not necessarily represent the official position of the European Parliament. Reproduction and translation for non-commercial purposes are authorised, provided the source is acknowledged and the publisher is given prior notice and sent a copy.