

STUDY

Country Specific Recommendations for 2015 and 2016

A comparison and an overview of implementation


This document presents:

- The [Country Specific Recommendations \(CSRs\) for 2015](#) generally endorsed by the European Council on 25/26 June 2015 and adopted by the Council on 14 July 2015;
- **The assessment of the implementation of 2015 Country Specific Recommendations** based on the [European Commission Country Reports](#) as published on 26 February 2016;
- The [Country Specific Recommendations for 2016](#) generally endorsed by the European Council on 28/29 June 2016 and adopted by the Council on 12 July 2016;
- **The assessment of the implementation of 2016 Country Specific Recommendations** based on the [European Commission Country Reports](#) as published on 22 February 2017; and
- The draft 2017 **Council Recommendation on the economic policy of the euro area** as approved by the Council on 27 January 2017, to be endorsed by the European Council of 9-10 March 2017 and adopted by the Council of 21 March 2017.

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 **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 2016 CSRs have been re-arranged in the table below, where applicable, by policy area to allow for an easier comparison with the 2015 CSRs.
- The "colour code" used for the assessment of CSR implementation is based on the categories presented in the Commission (COM) Country Reports: **"red"** = "no progress" or "limited progress"; **"yellow"** = "some progress"; **"green"** = "substantial progress" or "full progress" (see [assessment criteria](#)).

Click to Scroll-down: [BE](#), [BG](#), [CZ](#), [DK](#), [DE](#), [EE](#), [IE](#), [EL](#), [ES](#), [FR](#), [HR](#), [IT](#), [CY](#), [LV](#), [LT](#), [LU](#), [HU](#), [MT](#), [NL](#), [AT](#), [PL](#), [PT](#), [RO](#), [SI](#), [SK](#), [FI](#), [SE](#), [UK](#), [Euro Area](#)

<div>BE</div> 	<u>Country Specific Recommendations 2015</u> SGP: CSR 1 MIP: CSR 1, 2, 3, 4	<u>Assessment of implementation of CSR 2015</u> (COM Country Report, February 2016)	<u>Country Specific Recommendations 2016</u> SGP: CSR 1 MIP: -	<u>Assessment of implementation of CSR 2016</u> (COM Country Report, February 2017)
	<p>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. Complement the pension reform by linking the statutory retirement age to life expectancy. Agree on an enforceable distribution of fiscal targets among all government levels.</p>	<p>Some progress (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact):</p> <p><u>Some progress</u> has been made in putting the debt ratio on a downward path. Consolidation measures have been taken at all levels of government to reduce the budget deficit. However, the targeted structural improvement has not been reached. In addition, headline deficit targets have also been revised upwards, as economic growth is lower than previously expected. Unfavourable economic conditions, notably modest economic growth and particularly low inflation, have made it more demanding to put the debt-to-GDP ratio on a downward path. Belgium implemented growth-enhancing structural reforms which are expected to contribute to debt reduction in the medium/long term.</p> <p><u>Some progress</u> has been made in linking the retirement age to life expectancy. The federal parliament adopted the last part of the pension reform agreed in 2014, notably an increase in the statutory retirement age to 66 years in 2025 and 67 in 2030. On the other hand, no automatic or semi-automatic link has been introduced to 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.</p> <p><u>Limited progress</u> has been made towards an enforceable distribution of fiscal targets among</p>	<p>1. Achieve an annual fiscal adjustment of at least 0,6 % of GDP towards the medium-term budgetary objective in 2016 and in 2017. Use windfall gains to accelerate the reduction of the general government debt ratio. Agree on an enforceable distribution of fiscal targets among all government levels. Simplify the tax system and remove distortive tax expenditures.</p>	<p>Limited progress (this overall assessment of country-specific recommendation 1 does not include an assessment of compliance with the Stability and Growth Pact):</p> <p><u>Limited progress</u> has been made towards an enforceable distribution of fiscal targets among the various levels of government. The lack of any formal commitment by the regions and communities to disaggregated fiscal trajectories at their own level undermines the credibility of Belgium's overall trajectory and hampers debt reduction efforts.</p> <p><u>Some progress</u> has been made in reforming the tax system:</p> <ul style="list-style-type: none"> • The federal government has announced its intention to reform corporate taxation in the direction of reducing the nominal statutory rate. A report of the High Council for Finance was published in July 2016 analysing options. As yet, no firm plans have been brought forward. • Measures included in the draft budgetary plan: <ul style="list-style-type: none"> – a further increase of the withholding tax rate, from 27 % to 30 %; – an increase (ceiling is doubled) and broadening (foreign platforms also taxed) of the stock-exchange tax; – the abolition of the 'speculation tax'; – the introduction of a mobility budget for employees as an alternative to a company

		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.		<p>car and of a fixed levy imposed on employers for company fuel cards.</p> <ul style="list-style-type: none"> • Other measures legislated or announced since July 2016: <ul style="list-style-type: none"> – Abolition of existing patent income deduction regime (1 July 2016); approval by Council of Ministers of draft bill on Innovation Income Deduction regime (2 December 2016); – Legislation for the specific fiscal treatment of income received by private individuals providing services through the sharing economy under certain circumstances (1 July); – Online betting and gambling activities no longer exempt from VAT (1 August); – New single annual bank tax replaces four existing taxes (act passed on 3 August).
	<p>2. Adopt and implement a comprehensive tax reform broadening the tax base, shifting the tax burden away from labour and removing inefficient tax expenditures.</p>	<p>Some progress:</p> <p>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 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 %.</p>	See CSR 1 (tax reform)	

		<p>The lower limit of the 45 % tax bracket will be raised, widening the 40 % tax bracket.</p> <p>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 abolished the regional poll tax of EUR 89. This will be financed by a 12 % rise in recurrent immovable property taxes.</p> <p>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.</p>		
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	<p>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.</p>	<p>Some progress:</p> <p>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 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).</p> <p>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.</p> <p>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.</p> <p>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 of young and long-term unemployed and reduced social security contributions for older workers.</p> <p>The French Community launched in 2015 a major reform of its education system which should</p>		
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		<p>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.</p> <p>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.</p>		
	<p>4. Restore competitiveness by ensuring, in consultation with the social partners and in accordance with national practices, that wages evolve in line with productivity.</p>	<p>Limited progress:</p> <p>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.</p>	<p>2. Carry out the intended review of the Law of 1996 on the promotion of employment and the safeguarding of competitiveness in consultation with the social partners. Ensure that wages can evolve in line with productivity. Ensure the effectiveness of labour market activation policies. Move forward with education and vocational training reforms and provide training support for disadvantaged groups, in particular people from a migrant background.</p>	<p>Substantial progress:</p> <p>Substantial progress has been made in making wage formation more responsive to the business cycle and changes in productivity. The law on the revision of the 1996 Law on employment and competitiveness is to be voted by parliament in February 2017. It has already been taken into account in the Inter Professional Agreement agreed between the Social Partners on 31/01/2017.</p> <p>Some progress has been made on ensuring the effectiveness of labour market activation policies.</p> <ul style="list-style-type: none"> • Taxes on labour are being progressively decreased and eligibility conditions for pre-retirement and retirement are progressively being tightened. These ongoing reforms are producing positive effects on take home pay for low and average wage earners as well as on the participation rate of the older workers. • The law on flexible and workable work includes a number of measures to increase the flexibility of working time arrangements and to promote in-company training. It also

				<p>reintroduces the possibility of a lower minimum wage for young people.</p> <ul style="list-style-type: none"> • The three regions and the German-speaking Community have started to reform the recently devolved competences in the area of activation. The existing employment incentive schemes are being rationalised to focus financial support on a limited number of priority groups and to better integrate employment support with other types of activation measures. The reformed employment support systems are already operational in Flanders as of January 2017 and will become fully operational in Wallonia and Brussels in the course of 2017. • In November 2016 the "Individualised Project for Social Integration" of the Federal government became compulsory for all new living wage beneficiaries. • At the end of 2016 the federal government introduced a number of measures to make resuming work after work incapacity financially more attractive. <p><u>Some progress</u> has been made on educational and vocational reforms.</p> <ul style="list-style-type: none"> • In May 2016, the Flemish Community launched two concept notes 'Modernising secondary education, measures for primary education and the first stage' and 'The second and third stage of secondary education'. This started the rollout of the final measures of the master plan secondary education. • After a consultation, the Flemish government adopted in January 2017 the final measures of the Flemish modernisation of secondary education. Key measures plan
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				<p>for a new ordering of the study offer and the rationalisation from 29 to 8 study areas. In 2017 a first draft a new parliamentary act for the modernisation of secondary education will be presented to the government. The legislative framework will be elaborated with the aim of reaching a progressive implementation school year by school year from 1st of September 2018 onwards (starting with the first grade of the first stage).</p> <ul style="list-style-type: none"> • On learning outcomes, the 2016 societal debate on the attainment targets resulted in final reports which have been handed over to the Flemish Parliament. In the phased rollout of the renewed attainment targets, the update and development of attainment targets for a selection of sets of targets for primary education and the first stage of secondary education will start in 2017. • The French Community has launched a process to reform its compulsory education system over the period 2015-2030 (Pacte pour un Enseignement d'Excellence). Based on the main orientations approved by the government mid-2016 and on an impact assessment, the December 2016 draft advice of the steering group sets the proposed five strategic axes, objectives and priorities. Great attention is given to early childhood education. Initial Vocational Education and Training (IVET) would be reduced to one track with fewer study options and apprenticeships integrated into the education system. After a two months consultation period, the advice is expected to be finalised in view of its adoption by the government, early 2017. The implementation period has been extended from 2025 till 2030;
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				<ul style="list-style-type: none"> Independently of the "Pacte", first measures have been approved namely with the so-called "Décret fourre-tout" adopted in 2016. Mandatory support to starting teachers has been introduced in September 2016. Each school will also be required to establish by 2018/2019 a 6-year pilot plan with objectives in more than 10 key areas. The heads of underperforming schools have to draw up a remedial action plan with the support of their umbrella organisation; Both communities are pursuing the preparation of their reform of initial teacher education launched under the previous governments. On teachers' careers, the Flemish education minister and social partners are still pursuing their negotiations on a 'career pact' (Loopbaanpact). The reform of teacher's careers is part of the school reform of the French Community.
			<p>3. Boost the capacity to innovate, in particular by fostering investment in knowledge-based capital. Increase competition in the business services sector and the retail sector by removing unwarranted operational and establishment restrictions. Address shortfalls in investment in transport infrastructure and energy generation capacity.</p>	<p>Limited progress:</p> <p>Limited progress has been made to boost the capacity to innovate:</p> <ul style="list-style-type: none"> Major multi-annual plans for R&I include successive versions of the 'Marshall plan' complemented by 'Creative Wallonia' and 'Digital Wallonia' in Wallonia; regional innovation plan in Brussels; and 'VISIE 2050: a long-term strategy for Flanders' in Flanders. These main regional strategies reflect a broad political commitment to boost productivity and address societal challenges through research and innovation. In July 2016, the Brussels region updated its innovation strategy plan for the period 2016-2020. In July 2016, the federal government introduced a fiscal regime for workers of the

				<p>“Collaborative economy”. This was introduced under the “Digital Belgium” initiative, which aims to stimulate entrepreneurship and new economic activities, while providing a clear legal framework. The regime foresees an effective 10% tax rate under 5.000 EUR gross income for individuals providing services via a recognized collaborative platform (Loi-Programme/Programmawet 01/07/2016 and two Royal Decrees 24/01/2017).</p> <ul style="list-style-type: none"> • The Belgian ‘Patent Box’ regime has effectively been abolished on 1 July 2016. It will be accompanied by a transitory regime of five years. The federal government is working on a new regime entitled ‘deduction for innovation income’ to bring it in line with the ‘modified nexus approach’ as introduced by the OECD (BEPS/action 5). The draft law has been submitted to the State Council for its opinion. Adoption is expected early 2017. • Flanders and the French Community agreed on the future of the Interuniversity attraction poles whose current financing commitment ends in September 2017 (managed at Federal level before the 6th State Reform). A new programme will start in 2018, co-managed by FWO and CNRS with a dedicated budget of 17.7 million (Flanders) and 13.9 million (French Community) starting in 2018. • The Brussels <i>Small Business Act</i> is a plan/vision structured around 77 measures within five development pillars to be implemented between 2016 and 2025. It covers enabling an environment for creation, regardless of the life stage of the company or its model; improving access to finance, using a credit intermediary (development of a regional strategy for microcredit, increase
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				<p>the microfinance capacity); supporting the diversity of entrepreneurs and businesses through segmented measures; improving the relations between SMEs and the Brussels capital region by making the administration more "business friendly"; supporting companies in their development (innovation, internationalization, digitization, circular economy). Most of the implementation should start in 2017.</p> <ul style="list-style-type: none"> • In October 2016 the Flemish region adopted a new action plan for innovation procurement. The new action plan is based on a combination of pre-commercial procurement (PCP) and public procurement of innovative solutions (PPI). It foresees co-financing for Flemish procurers to kick-start 5 new PCP and 10 PPI lighthouse projects in 2017. • As announced in its 2017 budget, Flanders will structurally increase its public R&D budget, mostly to the benefit of Public Research Organisations, in line with its commitment that public R&D intensity should reach 1% in Flanders (currently 0.78%). <p><u>Limited progress</u> has been made on increasing competition in the business and professional services:</p> <ul style="list-style-type: none"> • End of 2016, a proposal for on the transposition of the Directive 2013/55/EU was voted in the Belgian parliament. For intra-Belgian consistency reasons, a cooperation agreement will be drafted. For Flanders, an implementation law has been submitted to the Flemish parliament. According to the Walloon representative, an orientation note is submitted to the Walloon
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				<p>government, presenting the screening of existing legislation in the area of regulated professions. In the Brussels region, the regional government needs to decide on the proposal for the implementation law.</p> <p><u>Limited progress</u> has been made on removing unwarranted operational and establishment restrictions in the retail sectors:</p> <ul style="list-style-type: none"> • Further to the 6th State reform transferring competences on retail establishment, the three regions have adopted acts regulating this field (Flanders, as the last region, adopted the relevant act in July 2016, however the provisions relating to authorisations for retail outlets will not enter into force before 2018). The new regional laws provide for some simplification of administrative procedures, but the substantive conditions for granting authorisations leave a broad margin for interpretation. The concrete implementation of these rules will be important to ensure that these do not lead to market entry barriers. • As regards e-commerce, the Royal Decree from March 2016 has made night work related to on-line sales in the retail sector possible. <p><u>Some progress</u> has been made on addressing shortfalls in investment:</p> <ul style="list-style-type: none"> • In September 2016, the federal government proposed to implement a National Pact for Strategic Investments, calling upon private and public investors to work together in order to boost investment in a number of key strategic sectors, namely energy, security, transport and the digital economy. The roll-out of the plan is foreseen over the period
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				<p>2017-2030. The governance and policy choices will be determined in more detail in cooperation with the concerned government levels in order to ensure the speedy implementation of the Pact, with respect for the division of competences between the various entities. A steering committee to monitor and support the Pact will be installed within the Chancellery (of the Prime Minister). The detailed rules will be defined in 2017 on the basis of a policy note.</p>
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	<p>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.</p>	<p>Some progress (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact):</p> <p>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.</p> <p>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 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.</p>	<p>1. Achieve an annual fiscal adjustment of 0,5 % of GDP towards the medium-term budgetary objective in 2016 and in 2017. Further improve tax collection and take measures to reduce the extent of the informal economy, including undeclared work.</p>	<p>Some progress (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact):</p> <p>The assessment of compliance with the Stability and Growth Pact will be made in spring when final data for 2016 will be available.</p> <p>Some progress in improving tax collection and reducing the extent of the informal economy. The government adopted in October 2015 the Single National Strategy (SNS) 2015-2017 for improving tax collection, tackling the shadow economy and reducing compliance costs. The implementation of the SNS and its accompanying action plan is ongoing with some of the measures already in place. Additional measures such as risk based controls on enterprises and enhanced controls on products subject to excise duties are also being implemented. Tax revenue is increasing and part of this increase can be attributed to improved collection, but the size of the shadow economy remains high. To tackle undeclared work the authorities have increased labour inspections but more effort seems to be needed in this area.</p>

	<p>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.</p>	<p>Some progress:</p> <p><u>Some progress</u> 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.</p> <p><u>Limited progress</u> 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.</p> <p><u>Some progress</u> 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, 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.</p> <p><u>Limited progress</u> 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.</p>	<p>2. By the end of 2016, finalise the asset quality review and stress test of the banks. By the end of 2016, complete the balance-sheet review and stress test of the insurance companies and the review of private pension funds' assets. Take, as necessary, follow-up actions in all three sectors and continue to improve banking and non-banking supervision.</p>	<p>Some progress:</p> <p><u>Some progress</u> in finalising the asset quality review and stress test of the banks. The results of the review and stress tests were published but the degree of independence and the nature of the stress tests did not fully comply with the recommendation.</p> <p><u>Substantial progress</u> in completing the balance-sheet review and stress test of the insurance companies and the review of private pension funds' assets. The reviews were completed to a high degree of independence and transparency. Some issues, including valuing illiquid financial instruments and assets as well as related-party transactions, were not fully tackled.</p> <p><u>Limited progress</u> in taking, as necessary, follow-up actions in all three financial sectors and in improving banking and non-banking supervision. The two supervisors have issued follow-up actions resulting from the reviews and stress tests. Those actions remain to be implemented. The BNB's action plan on banking supervision is being implemented albeit with delays in some important areas. The IMF/WB review is ongoing. Non-bank supervision remains to be improved by tackling the issues highlighted by the reviews.</p>
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	<p>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.</p>	<p>Limited progress:</p> <p><u>Limited progress</u> 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.</p> <p><u>Limited progress</u> 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.</p>	<p>3. Reinforce and integrate social assistance, including relevant social services, and active labour market policies, in particular for the long-term unemployed and young people not in employment, education or training. Increase the provision of quality education for disadvantaged groups, including Roma. Improve the efficiency of the health system by improving access and funding, and health outcomes. In consultation with social partners establish guidelines and criteria for setting the minimum wage. Increase the coverage and adequacy of the minimum income scheme.</p>	<p>Limited progress:</p> <p><u>Some progress</u> in reinforcing and integrating social assistance, including relevant social services, and active labour market policies, in particular for the long-term unemployed and young people not in employment, education or training. Bulgaria initiated a pilot project to introduce integrated Centres for Employment and Social Assistance and plans to add 8 new centres in remote areas to the existing 65. Many unemployed have already been serviced by these centres. The working methods between the Employment Agency and Agency for Social Assistance have improved. However, there is a limited provision of social services to support the long term unemployed taking a job, as local municipalities – the main social services providers – have not been involved. Efforts to address the high percentage of young people not in employment, education or training have started yielding results as the implementation of the Youth Guarantee is speeding up. However employment indicators are still worrying. There are several projects at national level based on the plans of municipalities and funded by the European Social Fund which aim at providing integrated services for Roma, migrants and the disadvantaged, including employment, education, housing and social services. Many of those in target groups are long term unemployed.</p> <p><u>Limited progress</u> in increasing the provision of quality education for disadvantaged groups, including Roma. Despite budgetary increases, ensuring the necessary funding for the ongoing reform is a challenge and the financial standard has not yet been adopted. School performance indicators and the methodology for funding based on performance have yet to be developed. The provision banning segregated classes within</p>
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				<p>the same school/kindergarten needs to be properly implemented and monitored, but such mechanisms remain weak. Following the entry into force of the new School Education Act in August 2016, a new education standard will focus on intercultural education¹ and will be implemented for the first time this school year.</p> <p><u>Limited progress</u> in improving the efficiency of the health system by improving access and funding, and health outcomes. Most measures concerning pharmaceutical pricing which aim at reducing costs of medicines are not expected to go into force until the beginning of 2017 at the earliest. Others like contracting of hospital services based on the National Health Map are implemented only partially – contracts for hospitals until April 2017 were set based on historical data. A significant part of the population remains without health insurance coverage.</p> <p><u>Limited progress</u> in establishing guidelines and criteria for setting the minimum wage. Progress on devising a minimum wage setting mechanism is also limited; there seems to be general agreement among the government and social partners on the way forward, however this still needs to be put in practice.</p> <p><u>Limited progress</u> in increasing the coverage and adequacy of the minimum income scheme. It is now possible to apply for benefits irrespective of the place of residence. Earnings from one day and dual education contracts will</p>
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¹ The adopted standard is less ambitious than initially planned as it includes 'Civic, health, environment and intercultural education' but it is still a step forward to a more inclusive and innovative methods of education. The programme is to be adopted by the schools depending on their needs. Center Amalipe has shared their experience in this respect and published guidance for schools on how to plan activities in this respect.

				be excluded from the means testing. Heating benefits for the 2016/2017 winter season were marginally increased. However, the extent of measures planned to increase the coverage and adequacy of the minimum income scheme does not correspond to the magnitude of poverty in the country and do not allow the benefits to keep their safety net function over time.
	<p>4. Adopt the reform of the School Education Act, and increase the participation in education of disadvantaged children, in particular Roma, by improving access to good-quality early schooling.</p>	<p>Some progress:</p> <p><u>Substantial progress</u> 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.</p> <p><u>Limited progress</u> addressing CSR4 in the part on improving access to good-quality early schooling for disadvantaged children.</p>		
	<p>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.</p>	<p>Limited progress:</p> <p><u>Limited progress</u> in improving the mechanisms for pre-insolvency and out-of-court restructuring.</p>	<p>4. Reform the insolvency framework to accelerate recovery and resolution procedures and improve their effectiveness and transparency. Increase the capacity of the courts regarding insolvency procedures. Strengthen the capacity of the Public Procurement Agency and contracting authorities and improve the design and control of public tendering procedures, in particular by fully implementing the National Strategy for the development of the Public Procurement Sector (2014-2020). Speed up the introduction of e-procurement.</p>	<p>Limited progress:</p> <p><u>Limited progress</u> in reforming the insolvency framework to accelerate recovery and resolution procedures as well as improving their effectiveness and transparency as well as increasing the capacity of the courts regarding insolvency procedures. The insolvency reform effort has been slow despite the high level of private sector debt and mediocre performance of the insolvency proceedings framework. Improvement efforts in the legislative as well as judicial framework do not match the size of the problem. According to the assessment of the Commission, beyond the proper implementation of the announced initiatives, further steps are needed, in particular in the judicial system. Amendments to the Commerce Act and the Pledge Registry have only recently been adopted. They will need to be complemented with improvements in the infrastructure of the</p>


				<p>judicial system and in judges' capacity to handle insolvency cases.</p> <p><u>Some progress</u> in strengthening the capacity of the Public Procurement Agency and contracting authorities and improving the design and control of public tendering procedures [...] and limited progress in speeding up the introduction of e-procurement. A number of actions have already been undertaken by the Bulgarian government. However, the majority of them is currently at an early stage of implementation, so that their practical effects still need to be seen and assessed. The authorities have only started the tendering process for the e-procurement system.</p>
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 CZ	<u>Country Specific Recommendations 2015</u> SGP: CSR 1 MIP: -	<u>Assessment of implementation of CSR 2015</u> (COM Country Report, February 2016)	<u>Country Specific Recommendations 2016</u> SGP: - MIP: -	<u>Assessment of implementation of CSR 2016</u> (COM Country Report, February 2017)
	1. Achieve a fiscal adjustment of 0.5% of GDP in 2016. Further improve the cost-effectiveness and governance of the healthcare sector.	<p>Some progress:</p> <p><u>Some progress</u> 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.</p>	<p>1. Take measures to ensure the long-term sustainability of public finances, in light of future risks in the area of healthcare. Adopt legislation to strengthen the fiscal framework.</p>	<p>Some progress:</p> <p><u>Limited progress</u> has been made in ensuring the long-term sustainability of public finance. Some measures in the healthcare sector are at various stages of adoption, including a draft law on using Pharmacy Cost-Based Groups to provide for a more equitable distribution of funds among health insurance companies. On the other hand, the government has approved a proposal to cap the retirement age at 65 after around 2030, which is likely to worsen the long-term sustainability of pensions.</p> <p><u>Substantial progress</u> has been made on the adoption of the legislation to strengthen the fiscal framework. The proposed fiscal legislation to implement Directive 2011/85/EU on budgetary frameworks was approved by the parliament in January 2017.</p>
	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.	<p>Some progress:</p> <p><u>Some progress</u> 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.</p> <p><u>No progress</u> has been made in simplifying the tax system.</p> <p><u>Some progress</u> has been made in implementing the anti-corruption plan. Acts on the conflict of interest and on regulating the financing of</p>	<p>2. Reduce regulatory and administrative barriers to investment, in particular in transport and energy, and increase the availability of e-government services. Adopt the outstanding anti-corruption reforms and improve public procurement practices.</p>	<p>Limited progress:</p> <p><u>Limited progress</u> has been achieved in reducing regulatory and administrative barriers to investment. With regards to energy investment, the use of EU funds for energy efficiency projects has been delayed. The administration of the related Operational Programmes is fragmented. To simplify and accelerate the permit procedure, the government has presented a draft amendment of the Construction Act, which is currently under discussion in the parliament.</p> <p><u>Limited progress</u> has been achieved towards increasing the availability of e-government</p>


		<p>political parties are, as of February 2016, subject to discussion in the Parliament.</p> <p>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.</p>		<p>services. The measures taken are showing some results but most are still at an early stage of implementation or not yet initiated. Responsibility for the rollout of e-government services is spread over several ministries. Stakeholders perceive limited cross-sector cooperation.</p> <p>Some progress has been made towards adopting the outstanding anti-corruption reforms. The parliament adopted several laws, in particular the Act on Political Party Financing, the Conflict of Interest Law, the Act on Declaring the Origin of Property and the Public Procurement Act. However, several important measures from the anti-corruption plan for 2016 remain unimplemented.</p> <p>Limited progress has been made in improving public procurement practices. Despite the slightly delayed transposition of the modernised public procurement directives, no specific measures were announced to cope with the systemic shortcomings in the application of the public procurement legislation, in particular low use of quality criteria in tenders, unprofessionally prepared tender specifications, excessive use of negotiated procedures without prior publication and low use of aggregated procurement.</p>
	<p>3. Reduce the high level of taxation levied on low-income earners, by shifting taxation to other areas. Further improve the availability of affordable childcare.</p>	<p>Limited progress:</p> <p>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.</p> <p>Some progress has been made in further improving the availability of affordable</p>		

		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 school year and later to 3-year-old children.		
	4. Adopt the higher education reform. Ensure adequate training for teachers, support poorly performing schools and take measures to increase participation among disadvantaged children, including Roma.	<p>Some progress:</p> <p>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.</p> <p>Limited progress has been made in ensuring adequate training for teachers, supporting poorly performing schools and taking 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.</p>		
			3. Strengthen governance in the R & D system and facilitate the links between academia and enterprises. Raise the attractiveness of the teaching profession and take measures to increase the inclusion of disadvantaged children, including Roma, in mainstream schools and pre-schools. Remove the obstacles to greater labour market participation by under-represented groups, in particular women.	<p>Some progress:</p> <p>Limited progress has been made in strengthening governance in the R&D system and facilitating the links between academia and enterprises. While progress has been observed in terms of developing a more comprehensive funding methodology, governance in the sense of a separate function to be provided by the government to all R&D bodies has not yet been sufficiently addressed. Further, cooperation between academia and enterprises has not yet been incorporated into the funding and evaluation framework.</p>

				<p>Substantial progress has been made in raising the attractiveness of the teaching profession by increasing teachers' salary by 8 % in September 2016. The government also adopted a new draft career system for teachers and pedagogical staff, the aim of which is to link professional development, career and remuneration.</p> <p>Some progress has been made towards increasing the inclusion of disadvantaged children. The reform on inclusive education got underway in September 2016 which makes it too early to assess the impact. It aims to gradually increase the participation of pupils with special needs — including socially disadvantaged pupils — in mainstream education by granting them a legal right to individual support measures. Only a limited number of pupils have benefited from the reform to date. Aside from the absence of a piloting period, this may be partly due to the fact that the reform is being implemented gradually over a period of two years.</p> <p>Some progress has been made in removing obstacles to greater labour market participation by under-represented groups, in particular women. Labour market participation of women improved in 2015, climbing up to 66.4 %. Proposed amendments to the Labour Code are aimed at strengthening both the flexibility of labour arrangements and the protection of employees. A proposed amendment to the law on social support makes the drawing of parental allowance more flexible. The implementation of ESF-supported projects creating new places in childcare facilities continues — almost 10 000 places have been created to date, while new 'micro-nurseries' are being piloted. A pilot project supporting job-related mobility of the long-term unemployed is being implemented.</p>
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	<u>Country Specific Recommendations 2015</u> SGP: CSR 1 MIP: -	<u>Assessment of implementation of CSR 2015</u> (COM Country Report, February 2016)	<u>Country Specific Recommendations 2016</u> SGP: CRS 1 MIP: -	<u>Assessment of implementation of CSR 2016</u> (COM Country Report, February 2017)
	1. Avoid deviating from the medium-term budgetary objective in 2016.	<p>The Commission evaluated CSR 1 implementation in its Assessment of the 2016 Convergence Programme for Denmark (May 2016) without explicitly referring to the assessment grid used for other CSRs:</p> <p><i>“On the basis of the Commission forecast, and following an overall assessment, Denmark appears to be in line with the requirements of the preventive arm in both 2016 and 2017”.</i> (p. 16)</p>	1. Respect the medium-term budgetary objective in 2016 and achieve an annual fiscal adjustment of 0,25 % of GDP towards the medium-term budgetary objective in 2017.	CSRs related to the compliance with the SGP will be assessed in spring once the final data will be available.
	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.	<p>Limited progress:</p> <p><u>Limited progress</u> 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.</p> <p><u>Limited progress</u> 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, in particular the undertaking to review construction legislation and map existing national standards to see if they can be replaced</p>	2. Enhance productivity and private sector investment by increasing competition in the domestic services sector, in particular by facilitating market entry in retail and construction. Incentivise the cooperation between businesses and universities.	<p>Some progress:</p> <p><u>Some progress</u> has been made in enhancing productivity and private sector investment. On facilitating market access in retail: in January 2017 the government presented a proposal to the Parliament to amend the Planning Act. However, since this proposal has not yet been adopted, the assessment is limited progress. There was some progress on facilitating market access in construction, following the mapping of standards in 2015, the updating of the law on electrical installations in 2015, and the proposed amendments to the Building Regulation to simplify procedures.</p> <p><u>Some progress</u> has been made on incentivising cooperation between businesses and universities: There is some initiative from the national authorities to strengthen the links between universities and the private sector through dialogues involving both parties, new guidelines and specific programmes that stimulate collaboration. These include notably the efforts of the Danish Agency for Science and</p>

		by international standards. However, the impact of the strategy remains to be seen and no other reforms have been reported subsequently.		Technology together with Universities Denmark, a more prominent role given to the research and technology organisations, and the new Innovation Fund Denmark created with the ambition of supporting investments and long-term projects/partnerships that involve research, technology, demonstration and market development activities. Moreover, the Ministry of Higher Education and Science in June 2016 renegotiated the university performance contracts for 2015-2017 which introduced an additional performance targets on regional knowledge transfer activities.
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DE 	<u>Country Specific Recommendations 2015</u> SGP: - MIP: CSR 1, 2, 3	<u>Assessment of implementation of CSR 2015</u> (COM Country Report, February 2016)	<u>Country Specific Recommendations 2016</u> SGP: - MIP: CRS 1, 2, 3	<u>Assessment of implementation of CSR 2016</u> (COM Country Report, February 2017)
	<p>1. Further increase public investment in infrastructure, education and research. To foster private investment, take measures to improve the efficiency of the tax system, in particular by reviewing the local trade tax and corporate taxation and by modernising the tax administration. Use the ongoing review to improve the design of fiscal relations between the federation, <i>Länder</i> and municipalities, particularly with a view to ensuring adequate public investment at all levels of government.</p>	<p>Limited progress: (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact):</p> <p><u>Limited progress</u> 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.</p> <p><u>Limited progress</u> 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.</p> <p><u>Limited progress</u> in increasing public investment in research. Public expenditure on research and development remained stable at 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.</p> <p><u>Limited progress</u> in improving the efficiency of the tax system. The steps taken to modernise tax administration were limited to the adoption by</p>	<p>1. Achieve a sustained upward trend in public investment, especially in infrastructure, education, research and innovation, while respecting the medium term objective. Improve the design of federal fiscal relations with a view to increasing public investment, especially at municipal level.</p> <p><i>See CSR 2 (tax system)</i></p>	<p>Some progress:</p> <p><u>Some progress</u> has been made in increasing investment in public infrastructure. The federal infrastructure plan 2030 announces significant increases in transport infrastructure investment. If implemented effectively, the planned transport infrastructure company could be a step forward in addressing the barriers to investment identified in last year's country report. Funds provided for investment in transport infrastructure in the federal budget have increased in recent years.</p> <p><u>Limited progress</u> has been made in increasing public expenditure on education and no additional measures have been taken in this regard. Despite more spending by the Federal Government, 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 increased only slightly in recent years and may have fallen short of the national target of 10 % of GDP.</p> <p><u>Limited progress</u> has been made in increasing public expenditure on research and innovation and no additional measures have been taken in this regard. Public expenditure on R&D has remained stable at around 0.9 % of GDP in recent years and total public and private expenditure stabilised at around 2.9 % of GDP in 2014 and 2015.</p>


		the federal government of legislation to simplify tax administration procedures.		<p>Some progress has been made in improving the scope for public investment, including at federal state and municipal level, though it remains to be seen to what extent this additional fiscal space will actually be used for more public investment.</p> <p>The Federal Government is further relieving federal states and municipalities of expenditure relating to asylum seekers and refugees and other social spending, which should increase their scope for public investment. The transfers to the federal states comprise an annual lump sum of EUR 2 billion over the period 2016-2018 through an equivalent increase in the federal states' share of joint VAT revenue. They also include compensation for the cost of accommodation allowances for those granted asylum, amounting to EUR 400 million in 2016, EUR 900 million in 2017 and EUR 1.3 billion in 2018. As of 2018, the municipalities will receive an additional EUR 5 billion of relief annually through a combination of a higher share of municipalities in joint VAT revenue and an increased federal contribution to the funding of the accommodation allowance for the long-term unemployed. In total, the relief planned for 2016 amounted to about 0.1 % of GDP (or 5.4 % of the gross fixed capital formation of the federal states and municipalities in 2015), rising to around 0.3 % of GDP (20 %) by 2018.</p> <p>The planned reform of federal fiscal relations that will take effect in 2020 (see Box 4.4.3) should also improve the conditions for public investment at all levels of government. The adoption of the related constitutional changes and implementing legislation by both the Federal Parliament and the Federal Council representing the federal states is envisaged for spring 2017. The extra revenue allocated to the federal states – estimated at around EUR 9.7 billion in 2020</p>
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				<p>(0.3 % of 2015 GDP), rising to EUR 13 billion by 2030 – should increase the scope for public investment both at federal state and municipal level in the longer term. However, the reform falls short of more fundamental changes in terms of increasing the tax autonomy of federal states and municipalities, which could have further increased the scope for public investment. The planned federal transport infrastructure company could alleviate significant barriers to public infrastructure investment.</p> <p>The recent extension of the services of the existing independent consulting firm (ÖPP Deutschland AG) that promotes public private partnerships to include the whole public sector should also boost the planning and implementation of infrastructure investment, particularly at municipal level.</p>
	<p>2. Increase incentives for later retirement. Take measures to reduce high labour taxes and social security contributions, especially for low-wage earners, and address the impact of fiscal drag. Revise the fiscal treatment of mini-jobs to facilitate the transition to other forms of employment.</p>	<p>Limited progress:</p> <p><u>Limited progress</u> 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.</p> <p><u>Limited progress</u> 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 contributions from employees.</p> <p><u>No progress</u> 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</p>	<p>3. Increase incentives for later retirement and reduce disincentives to work for second earners. Reduce the high tax wedge for low wage earners and facilitate the transition from mini-jobs to standard employment.</p>	<p>Limited progress:</p> <p><u>Limited progress</u> has been made in increasing incentives for later retirement. A law on facilitating the transition of older workers into retirement ('Flexi-Rente') has been adopted. It mainly aims to make the transition of older workers into retirement more flexible. In particular, the reform promotes the combination of early retirement and part-time work by reducing pension deductions in the event of extra income. It also incentivises employment above retirement age for employees by enabling them to acquire additional pension entitlements as well as for employers, by releasing them from the obligation to pay unemployment insurance contributions for employees above retirement age. It is too early to assess to what extent the reform may offset the stronger incentives for early retirement introduced by the last pension reform and the impact of an ageing population.</p>

		introducing the minimum wage. Standard employment has also been made less costly to businesses. The fiscal treatment of mini-jobs has not been revised.		<p>Further assessment and monitoring appears required in this regard.</p> <p>No progress has been made in reducing disincentives to work for second earners. No initiatives have been taken or announced in this regard.</p> <p>Limited progress has been made in reducing the high tax wedge for low-wage earners. The Federal Government adopted a package of measures aimed at safeguarding the minimum subsistence level and compensating for fiscal drag. The basic personal income tax allowance, the child allowance, the child benefit and the child supplement will be increased in 2017 and 2018 to align them with the adjusted subsistence level in accordance with existing law. Moreover, the income tax brackets will be adjusted to offset the impact of fiscal drag based on the tax progression report that is published every two years. These measures largely aim at adjusting for price developments and tend to benefit in particular low and middle income groups. However, only a limited impact on the tax wedge, if any, can be expected.</p> <p>No progress has been made in facilitating the transition from mini-jobs to standard employment. No initiatives have been taken or announced in this regard.</p>
	<p>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</p>	<p>Limited progress:</p> <p>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.</p>	<p>2. Reduce inefficiencies in the tax system, in particular by reviewing corporate taxation and the local trade tax, modernise the tax administration and review the regulatory framework for venture capital. Step up measures to stimulate competition in the services sector, in particular in</p>	<p>Limited progress:</p> <p>Limited progress has been made in reducing inefficiencies in the tax system. The law on the reform of investment fund taxation aims at simplifying the taxation of public investment funds and at closing some loopholes for tax avoidance. Key elements are that public funds will be subject to corporate taxation, while the transparency principle will be abolished. No</p>

	<p>remaining barriers to competition in the railway markets, in particular in long-distance rail passenger transport.</p>	<p>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.</p>	<p>business services and regulated professions.</p>	<p>measures have been taken to review corporate taxation and the local trade tax.</p> <p>Limited progress has been made in modernising the tax administration.</p> <p>The law on modernising taxation procedures aims at strengthening the automatic processing of tax returns. Previous requirements to submit supporting documents have largely been abolished. Combined with a stronger emphasis on risk-based audits, this also prepares the ground for a more efficient and effective tax administration.</p> <p>If implemented effectively, additional general and IT-specific functional authority of the federal tax administration in relation to the states' tax administrations as agreed as part of the reform of federal fiscal relations could facilitate an accelerated modernisation of the tax administration.</p> <p>Several additional measures to curb tax evasion and avoidance have been proposed by the Federal Government.</p> <p>Some progress has been made in reviewing the regulatory framework for venture capital. The Federal Government has adopted a draft law to improve the loss carry-forward for companies that have a change in shareholders but continue their core business. This is to facilitate access to venture capital for young and innovative companies, particularly in later start-up stages. Step up measures to stimulate competition in the services sector, in particular in business services and regulated professions.</p> <p>Limited progress has been made in stimulating competition in the services sector. The Federal</p>
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				<p>Government plans some limited modifications for certain liberal professions and business services, partly in response to national court decisions having declared some existing regulations unlawful. This concerns the prohibition of medical doctors and lawyers on offering services in partnership and mandatory tariffs for tax advisers. However, there is no strategy to substantially modernise the regulated professions and to strengthen competition in the services sector.</p>
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	<u>Country Specific Recommendations 2015</u> SGP: CSR 1 MIP: -	<u>Assessment of implementation of CSR 2015</u> (COM Country Report, February 2016)	<u>Country Specific Recommendations 2016</u> SGP: - MIP: -	<u>Assessment of implementation of CSR 2016</u> (COM Country Report, February 2017)
	<p>1. Avoid deviating from the medium-term budgetary objective in 2015 and 2016.</p>	<p>The Commission evaluated CSR 1 implementation in its Assessment of the 2016 Stability Programme for Estonia (May 2016) without explicitly referring to the assessment grid used for other CSRs:</p> <p><i>“Based on the Commission 2016 spring forecast, the structural balance is forecast to move from a surplus of 0.6% of GDP in 2015 to a budget balance of 0.0% of GDP in 2016 and to a slight deficit of 0.2% of GDP in 2017. This can be considered as close to the MTO by a margin.”</i> (p. 16)</p>		
	<p>2. Improve labour market participation, including by implementing the Work Ability Reform. Improve incentives to work through measures targeting low-income earners. Take action to narrow the gender pay gap. Ensure high-quality social services and availability of childcare services at local level.</p>	<p>Some progress:</p> <p>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 operational only from January 2017 when the re-assessments start.</p> <p>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</p>	<p>1. Ensure the provision and accessibility of high-quality public services, especially social services, at local level, inter alia, by adopting and implementing the proposed local government reform. Adopt and implement measures to narrow the gender pay gap, including those foreseen in the Welfare Plan.</p>	<p>Some progress:</p> <p>Some progress in ensuring the provision and accessibility of high-quality social services at local level. Implementation is ongoing for the Social Welfare Act and the measures under the 2016-2020 action plan for the 2016-2023 welfare development plan.</p> <p>Some progress in adopting and implementing the local government reform. The Administrative Reform Act was adopted in July 2016. The voluntary merger of municipalities, lasting until the end of 2016 was successful, leading to an initial decrease in the number of municipalities from 213 to 100.</p> <p>Limited progress in reducing the gender pay gap. The 2016-2023 welfare development plan and its 2016-2020 action plan were adopted in June 2016. One out of the plan’s four main areas aims at ensuring equal rights, responsibilities and opportunities for men and women in all</p>

		<p>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.</p> <p><u>Limited progress</u> 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, encompasses strategic aims for employment, social protection, gender equality and equal treatment policies. These measures have been announced but remain to be implemented.</p> <p><u>Some progress</u> 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.</p> <p><u>Some progress</u> 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.</p>		<p>areas of society. Due to the late approvals, the progress on implementing specific measures to reduce the gender pay gap is delayed.</p> <p>The amendments to the Gender Equality Act are expected to enable the Labour Inspectorate to monitor gender equality in the private sector. They are planned for March. Also important are changes to the parental leave system to improve flexibility and ensure more equal sharing of care responsibilities between women and men. The government discussed and gave political guidelines on the scope and timetable of the parental leave system on 26th January.</p>
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	<p>3. Increase 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.</p>	<p>Some progress:</p> <p><u>Some progress</u> 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 rates remain high.</p> <p><u>Some progress</u> 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.</p>	<p>2. Promote private investment in research, development and innovation, including by strengthening cooperation between academia and businesses.</p>	<p>Some progress:</p> <p>Private investment in R&D is bottoming out at 0.69 % GDP. Cooperation between businesses and academia remains weak. However, Estonia has made <u>some progress</u> in addressing the CSR:</p> <p>At the end of 2016, Estonia had already selected ERDF operations worth EUR 277 million under the priority axis on research, technological development and innovation of the Operational Programme for Cohesion Policy Funds 2014-2020. This is equivalent to 43 % of the total ERDF budget (EUR 642 million) for the axis concerned. Estonia also finalised in 2016 the remaining legal acts for the activities under this axis.</p> <p>In 2016, the government launched a business development programme for firms with high-growth potential, launched specific support for the public procurement of innovation and promoted the increased use of financial instruments. An 'Industrial Policy Green Book' is also being developed.</p> <p>There will be further support to public research organisations for applied research and development of products in cooperation with business, in areas addressed by the smart specialisation strategy. Changes are being introduced to the baseline funding of public research organisations to provide incentives for contract research with business. The share of institutional funding and project-based financing for research will be gradually raised to 50/50 (under the ruling coalition agreement).</p> <p>Specialised R&D civil servant profiles have been created in line ministries in 2016 under the 'RITA' programme. The aim is to help deliver</p>
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				<p>R&D priorities closer to business needs in smart specialisation areas.</p> <p>Finally, doctoral studies in cooperation with enterprises and support for business to participate in technology development centres and clusters are being implemented.</p>
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 IE	<u>Country Specific Recommendations 2015</u> SGP: CSR 1, 2 MIP: CSR 1, 4	<u>Assessment of implementation of CSR 2015</u> (COM Country Report, February 2016)	<u>Country Specific Recommendations 2016</u> SGP: CSR 1 MIP: CSR 1, 3	<u>Assessment of implementation of CSR 2016</u> (COM Country Report, February 2017)
	<p>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. Broaden the tax base and review tax expenditures, including on value-added taxes.</p>	<p>Limited progress:</p> <p>No progress in limiting discretionary powers to change expenditure ceilings. These have been revised up repeatedly on the back of better than expected growth, i.e. beyond specific and predefined contingencies. No changes have been made to the legal framework defining the conditions under which expenditure ceilings can be revised.</p> <p>Limited progress in broadening the tax base. Announced measures implementing internationally agreed efforts to reduce tax avoidance are likely to contribute to broadening the tax base. However, changes to the universal social charge, postponement of the revaluation of self-assessed property values used to calculate local property tax liabilities and introduction of further tax credits in the 2016 budget are likely to narrow the tax base. A report on tax expenditure was published recently but is limited in scope as it covers only a limited number of tax expenditures and does not cover VAT at all.</p>	<p>1. Following the correction of the excessive deficit, achieve an annual fiscal adjustment of 0,6 % of GDP towards the medium-term budgetary objective in 2016 and in 2017. Use windfall gains from strong economic and financial conditions, as well as from asset sales, to accelerate debt reduction. Reduce vulnerability to economic fluctuations and shocks, inter alia, by broadening the tax base. Enhance the quality of expenditure, particularly by increasing cost- effectiveness of healthcare and by prioritising government capital expenditure in R & D and in public infrastructure, in particular transport, water services and housing.</p>	<p>Some progress (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact):</p> <p>The compliance assessment with the Stability and Growth Pact will be included in Spring when final data for 2016 will be available.</p> <p>Limited progress in reducing the vulnerability to economic fluctuations and shocks. The announced establishment of a ‘rainy-day fund’, if appropriately designed, could provide a fiscal buffer during a future economic downturn. Together with the announced long-term target of 45 % for the debt-to-GDP ratio, the fund could help to reduce vulnerability to economic fluctuations. However, in the short term, the Draft Budgetary Plan for 2017 has introduced a wide range of tax expenditure measures, including a tax rebate for first-time buyers of newly-built homes, and increases in tax credits for the self-employed and home carers. These are likely to narrow the income tax base, thereby increasing the exposure of public finances to shocks. This is in addition to the suspension of water charge payments earlier this year, and the decision to further delay, until November 2019, the revaluation of self-assessed property values used to calculate local property tax liabilities. In isolation, the phasing out of the Universal Social Charge will undermine the commitment to maintain a broad tax base.</p> <p>Some progress in enhancing the quality of expenditure through a reform of the budgetary process. This can help to improve</p>


				<p>communication on expenditure targets, increase stakeholder engagement and harness public support to improve the quality of expenditure. A 'culture of spending' to, for example, increase responsibility across the public administration for assessing the efficiency and effectiveness of public expenditure is being developed. The roll-out of activity-based funding, the development of new eHealth architecture, the streamlining of financial management and information systems and the new cost-saving deal with the pharmaceutical industry are also steps forward.</p> <p><u>Some progress</u> in prioritising government capital expenditure. Public expenditure marginally grew from EUR 814 million in 2014 to EUR 843 million in 2015. Specific R&D Programmes being funded by the Capital Plan include commitments in respect of Cycle 5 of the Programme for Research in Third Level Institutions. However, low public R&D intensity continues to cause concern (decreasing at 0.33 % GDP in 2015). According to the Draft Budgetary Plan for 2017, capital expenditure will increase by 9 % compared to 2016. Investment will focus primarily on social housing and education. Ireland is planning to increase public investment while rebalancing priorities between current and capital spending. On 19 July the government published a housing action plan involving the allocation of a further EUR 2.2 billion (approximately 40 % of total capital spending) to social housing over the next four years, in addition to the EUR 3.8 billion already committed by the last government. The action plan envisages an increase in social housing units by approximately 47 000 and an increase in housing output of around 25 000 per year. It aims to create a EUR 200 million Local Infrastructure Housing Activation Fund, which will contribute to the delivery of transport, water</p>
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				and other infrastructure essential to an increase in housing supply. The government proposes to expedite the development of a number of large urban sites with the capacity to deliver up to 20 000 new homes.
	<p>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.</p>	<p>Some progress:</p> <p>Ireland has made <u>some progress</u> 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.</p>		
	<p>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.</p>	<p>Some progress:</p> <p><u>Some progress</u> 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.</p> <p><u>Some progress</u> 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</p>	<p>2. Expand and accelerate the implementation of activation policies to increase the work intensity of households and address the poverty risk of children. Pursue measures to incentivise employment by tapering the withdrawal of benefits and supplementary payments. Improve the provision of quality, affordable full-time childcare.</p>	<p>Some progress:</p> <p><u>Some progress</u> in increasing households work intensity. Labour activation programmes have been rolled out further but their effects have not yet been assessed by the government. New announced measures, such as 'Pathways to Work for Jobless Households', are likely to increase the work intensity of households.</p> <p><u>Some progress</u> in reducing child poverty. The government continues to implement previous measures but child benefit remains at EUR 140 per month. The benefits for lone parents is envisaged to increase from 2017.</p>

	<p>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.</p> <p><u>Some progress</u> in tapering benefits. 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.</p> <p><u>Some progress</u> 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.</p>		<p><u>Some progress</u> in incentivising employment. The Back to Work Family Dividend, set up in 2015, currently reaches 21 000 dependent young people. Budget 2017 announced additional funding for the Housing Assistance Payment, which is designed to tackle work disincentives arising from housing subsidies for the unemployed. This support is expected to reach an additional 15 000 people.</p> <p><u>Some progress</u> in improving childcare provision. Ireland has taken steps to make childcare more affordable and improve its quality, but sustained efforts are needed over coming years to meet existing needs, especially among disadvantage families. Measures are also underway to improve the quality of childcare provision.</p>
<p>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</p>	<p>Some progress:</p> <p><u>Some progress</u> 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 the terms of arrangements. However, meeting the terms of the arrangement is not necessarily an indicator of</p>	<p>3. Finalise durable restructuring solutions to lower non-performing loans, to ensure debt sustainability of households and to encourage lenders to reduce the debt of excessively leveraged yet viable businesses. Accelerate the phasing-in of a fully operational central credit registry covering all categories of lenders and debtors.</p>	<p>Some progress:</p> <p><u>Some progress</u> in adopting restructuring solutions sustainable in the long term. As the overall level of non-performing decreases, the more difficult long-term arrears cases make up an increasingly higher share of the remaining stock. Repossessions remain low and the legal route lengthy. Following a pilot phase, the Money Advice and Budgeting Service for distressed debtors was launched nationally. In the first couple of months it registered significant</p>

	<p>that a central credit registry is operational by 2016.</p>	<p>sustainability. Not all restructures are sustainable solutions since they include short-term solutions, such as interest only restructures.</p> <p><u>Substantial progress</u> 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.</p> <p><u>Some progress</u> 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.</p> <p><u>Some progress</u> 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.</p> <p><u>Some progress</u> in setting up a credit registry. A revised plan for the implementation of the central credit registry has been adopted while</p>		<p>interest, with over 2 800 free advice vouchers given out, of which the majority were used for financial counselling.</p> <p><u>Some progress</u> in phasing-in the central credit registry. The consultation with the data Protection Commissioner has been concluded the regulations published by the Central Bank of Ireland. However, delays in implementing the central credit register mean that it will not be fully operational until late 2018.</p>
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		<p>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.</p>		
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EL 	Country Specific Recommendations 2015	Assessment of implementation of CSR 2015 (COM Country Report, February 2016)	Country Specific Recommendations 2016	Assessment of implementation of CSR 2016 (COM Country Report, February 2017)
	To avoid duplication with measures set out in the Economic Adjustment Programme , there are no additional recommendations for Greece.		To avoid duplication with measures set out in the Economic Adjustment Programme , there are no additional recommendations for Greece.	


<div>ES</div> 	<u>Country Specific Recommendations 2015</u> SGP: CSR 1 MIP: CSR 1, 2, 3, 4	<u>Assessment of implementation of CSR 2015</u> (COM Country Report, February 2016)	<u>Country Specific Recommendations 2016</u> SGP: CSR 1 MIP: CSR 1, 2, 3, 4	<u>Assessment of implementation of CSR 2016</u> (COM Country Report, February 2017)
	<p>1. Ensure a durable correction of the excessive deficit by 2016 by taking the necessary structural measures in 2015 and 2016 and using windfall gains to accelerate the deficit and debt reduction. Strengthen transparency and accountability of regional public finances. Improve the cost-effectiveness of the healthcare sector, and rationalise hospital pharmaceutical spending.</p>	<p>Limited progress:</p> <p><u>Some progress</u> 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.</p> <p><u>Limited progress</u> has been made in improving the cost-effectiveness of the healthcare sector, and rationalising hospital pharmaceutical spending. The new voluntary fiscal rule supposed to limit growth in healthcare spending in 2015 and 2016 needs to be implemented by regions. The agreement with pharmaceutical industry should in 2016 limit growth in expenditure on original non-generic prescription drugs to the reference GDP growth rate.</p>	<p>1. Ensure a durable correction of the excessive deficit, in accordance with the relevant decisions or recommendations under the excessive deficit procedure, by taking the necessary structural measures and by using all windfall gains for deficit and debt reduction. Implement at all government levels the tools set out in the fiscal framework law. Enhance control mechanisms for public procurement and coordination of procurement policies across government levels.</p>	<p>Limited progress (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact):</p> <p><u>Some progress</u> has been made to strengthen Spain's fiscal framework. The updated DBP for 2017 reports that the government will assess, with the assistance of regional and local governments, the Stability law's spending rule, with a view to removing inconsistencies with the SGP spending rule, without however, providing details and a timeline. The government has implemented in 2017 some provisions set out in Spain's Stability law that had never been implemented –such as the requirement to adopt cuts in expenditure appropriations for public administrations at risk of non-compliance with the fiscal targets. However, the government has disclosed no measures to further increase the automaticity of the Stability Law's mechanisms to prevent and correct deviations from the deficit, debt and expenditure targets.</p> <p><u>Limited progress</u> has been made to strengthen Spain's public procurement policy framework. The updated 2017 DBP includes measures that can go some way towards improving some public procurement practices in Spain. However, they do not address the need for a consistent framework that ensures sufficient transparency and coordination of public procurement across all contracting authorities and entities. Furthermore, the reported measures do not spell out clear objectives for public procurement, instruments for action and a timeline for their adoption and implementation.</p>

	<p>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.</p>	<p>Substantial progress:</p> <p>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.</p>		
	<p>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. Take steps to increase the quality and effectiveness of job search assistance and counselling, including as part of tackling youth unemployment. Streamline minimum income and family support schemes and foster regional mobility.</p>	<p>Some progress:</p> <p><u>Some progress</u> 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. However, the number of workers covered by firm-level agreements is still very low.</p> <p><u>Some progress</u> 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</p>	<p>2. Take further measures to improve labour market integration, by focusing on individualised support and strengthening the effectiveness of training measures. Enhance the capacity of regional employment services and reinforce their coordination with social services. Address gaps and disparities in minimum income schemes and improve family support schemes, including access to quality childcare and long-term care.</p>	<p>Some progress:</p> <p>In 2016 Spain adopted the three-year Joint Action Plan to enhance the assistance to long-term unemployed, aimed at strengthening the employment services' capacity to provide individualised support for long-term unemployed. The Protocols to develop the Common Employment Services Portfolio are being developed.</p> <p><u>Some progress</u> has been made in improving labour market integration by focusing on individualised support. The Joint Action Plan to enhance the assistance to long-term unemployed lays down a limit of 120 beneficiaries per caseworker. Caseworkers should design an individualised pathway based on the profile of the unemployed, for which a profiling tool is being developed.</p> <p>Spain has made <u>some progress</u> in enhancing the capacity of regional employment services. The Joint Action Plan to enhance the assistance to long-term unemployed provides for EUR 515</p>

		<p>employability of young people is still much lower than expected, and effective outreach mechanisms are lacking.</p> <p>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.</p>		<p>million for 2016-2018. In 2016 Spain has finalised an evaluation of the regional employment services (EVADES), whose conclusions have not been translated into concrete action so far. There has been no significant action to reinforce coordination between the public employment and social services.</p> <p>Limited progress has been made in addressing gaps and disparities in minimum income schemes and improving family support schemes. The government will analyse the findings and recommendations of the in-depth evaluation of income guarantee systems and will work with the regions to improve the effectiveness of the schemes. In the area of long-term care some progress was made in terms of provision of services. The government plans to improve the conditions for access to the services, notably by simplifying the categories of dependency.</p>
<p>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 unity.</p>	<p>Some progress:</p> <p>Some progress has been made in removing the barriers preventing businesses from growing. Some measures were adopted since the 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.</p> <p>No progress 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</p>	<p>4. Accelerate the implementation of the law on market unity at regional level. Ensure implementation by the autonomous regions of the reform measures adopted for the retail sector. Adopt the planned reform on professional services and associations.</p>	<p>Limited progress:</p> <p>Limited progress has been made on the implementation of the market unity law at regional level, judging from the pace of adaptation of sectorial regulation to the principles of the law on market unity and from the number of agreements reached between the central and regional governments at sectorial conference level to develop regulatory frameworks adapted to that law, since the publication of the 2016 Country Report for Spain. Moreover, some regulations adopted by regions in the area of the collaborative economy may be contrary to the principles of the market unity law.</p> <p>Limited progress has been made on implementing the retail sector reform, as only</p>	

		<p>technical work linked to the reform had been completed.</p> <p><u>Some progress</u> 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, 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.</p>		<p>some regions have adopted implementing measures.</p> <p><u>No progress</u> has been made on reforming professional services. Spain has neither announced nor adopted any measures in this area in 2016.</p>
			<p>3. Take further measures to improve the labour market relevance of tertiary education, including by incentivising cooperation between universities, firms and research institutions. Increase performance-based funding of public research bodies and universities and foster R&I investment by the private sector.</p>	<p>Limited progress:</p> <p><u>Limited progress</u> was made as regards measures to foster public-private cooperation in research and innovation. There is no strategic approach to knowledge transfer. Only a few punctual measures have been taken: creation of a working groups with chambers of commerce; establishment of a new technological 6 years-term; creation of an industrial PhD scheme; tax incentives for companies hiring researchers.</p> <p><u>Limited progress</u> made towards increasing performance-based funding of public research</p>

				bodies and universities, and on fostering R&I investment by the private sector. The valuable initiatives under the "institutional strengthening" pillar of the National Plan for R&I can be a stepping stone for the further reinforcement of performance-based funding.
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 FR	<u>Country Specific Recommendations 2015</u> SGP: CSR 1 MIP: CSR 1, 2, 3, 4, 5, 6	<u>Assessment of implementation of CSR 2015</u> (COM Country Report, February 2016)	<u>Country Specific Recommendations 2016</u> SGP: CSR 1 MIP: CSR 1, 2, 3, 4, 5	<u>Assessment of implementation of CSR 2016</u> (COM Country Report, February 2017)
	<p>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.</p>	<p>Limited progress (this overall assessment of CSR 1 excludes an assessment of compliance with the Stability and Growth Pact):</p> <p>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.</p>	<p>1. Ensure a durable correction of the excessive deficit by 2017 by taking the required structural measures and by using all windfall gains for deficit and debt reduction. Specify the expenditure cuts planned for the coming years and step up efforts to increase the amount of savings generated by the spending reviews, including on local government spending, by the end of 2016. Reinforce independent public policy evaluations in order to identify efficiency gains across all sub-sectors of general government.</p>	<p>Limited progress (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact):</p> <p>The compliance assessment with the Stability and Growth Pact will be included in spring when final data for 2016 will be available.</p> <p>Limited progress has been made in reinforcing the identification of savings and efficiency gains generated by the spending reviews and public policy evaluations. The savings made following the spending reviews in the PLF 2017 total EUR 400 million, which is a small amount given the structural efforts required. Also, the second wave of spending reviews has not resulted in any proposed savings. A number of further public policy evaluations were launched and a meta-evaluation is ongoing.</p>
	<p>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 sustainable over the long term.</p>	<p>Some progress:</p> <p>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.</p> <p>Some progress has been made on limiting the rise in local authorities' 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.</p>	<p><i>See CSR1 (local government spending)</i></p>	


		<p>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.</p>		
	<p>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.</p> <p>Ensure that minimum wage developments are consistent with the objectives of promoting employment and competitiveness.</p>	<p>Some progress:</p> <p>Substantial progress 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.</p> <p>Some progress 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.</p> <p>Limited progress has been made in ensuring that minimum wage developments are consistent with the objectives of promoting employment</p>	<p>2. Ensure that the labour cost reductions are sustained and that minimum wage developments are consistent with job creation and competitiveness. Reform the labour law to provide more incentives for employers to hire on open-ended contracts.</p>	<p>Substantial progress:</p> <p>Substantial progress has been made in ensuring that labour cost reductions are sustained. The second phase of reductions in employers' social security contributions planned under the solidarity and responsibility pact started in April 2016, after the first phase introduced in 2015. In addition, the government has increased the tax credit for competitiveness and employment (CICE) from 6 % to 7 %. The 2016 national reform programme announced that the CICE would be transformed into permanent reductions in employers' social security contributions by 2018, but no details are available at the moment.</p> <p>Some progress has been made in ensuring that changes in the minimum wage are consistent with job creation and competitiveness. The minimum wage followed its indexation rule, leading to a 0.6 % increase on 1 January 2016. No intent to review the indexation mechanism has been expressed by the government.</p> <p>Substantial progress has been made in reforming the labour law. The El Khomri law on labour, social dialogue and professional</p>

		and competitiveness. While no increase of the minimum wage was granted in 2014, its automatic annual indexation process was not modified. In 2015 the minimum wage increased by 0.6 percentage point more than inflation while unemployment continued rising.		pathways was adopted in July 2016. However, its final effect will depend on its full implementation and on social partners taking ownership of the flexibility the law offers. The reform of Labour Courts introduced by the 2015 Macron law was completed with the adoption, in November 2016, of a decree reviewing the indicative ceilings for unjustified individual dismissals.
	<p>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. 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.</p>	<p>Some progress:</p> <p><u>Limited progress</u> has been made in reducing regulatory barriers to companies' growth. The measures taken or proposed to reduce barriers have limited impact (9 and 10 employee thresholds raised to 11) or are temporary (additional fiscal and social levies linked to reaching thresholds up to 50 employees have been frozen for 3 years).</p> <p><u>Some progress</u> 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 pharmacies. Shareholding requirements for medical test laboratories have also been relaxed through a recent decree. Overall, in regulated professions authorisation schemes persist and generally there is a lack of transparency and comparability. Recently measures have been announced in the context of the simplification programme ('choc de simplification') but implementation remains to be completed.</p>	<p>4. Remove barriers to activity in the services sector, in particular in business services and regulated professions. Take steps to simplify and improve the efficiency of innovation policy schemes. By the end of 2016, further reform the size-related criteria in regulations that impede companies' growth and continue to simplify companies' administrative, fiscal and accounting rules by pursuing the simplification programme.</p>	<p>Some progress:</p> <p><u>Some progress</u> has been made regarding the removal of barriers to activity in the regulated professions through sectoral legislation, notably the Loi Macron and the Loi Santé. France has adopted almost all the secondary legislation needed to implement provisions on liberalisation of professions that were not directly applicable. In other fields where reforms of the service sector were adopted in 2015 (e.g. home-care services), the legal framework was completed in 2016 and awaits implementation by local authorities. However, the ambition of measures to increase competition in regulated professions is lower than initially announced, mainly because of the implementation measures (for instance, as regards notaries). Some steps have also been taken to introduce competition in regional rail transport services for passengers on an experimental basis.</p> <p><u>Limited progress</u> has been made to simplify and improve the efficiency of innovation policy schemes. While no recent measures have been adopted in this area, clear action to systematically evaluate innovation policy has been promoted in recent year(s), in particular by the National Commission for the Evaluation of Innovation Policies together with France Stratégie. These efforts include the evaluation of individual schemes (e.g. the CIR), and of the</p>

				<p>efficiency of the innovation policy as a whole. How these evaluations will be translated into policy practice is still to be seen.</p> <p>No progress to reform the size-related criteria in social and tax legislation has been made, as no new measures have been adopted in this area since the end of 2015.</p> <p>Some progress has been made to simplify companies' administrative, fiscal and accounting rules. The simplification programme is ongoing and encompasses new measures, but its implementation is slow. The 'Sapin II law' makes it easier for certain small companies to switch legal status, while it facilitates business creation by easing training requirements prior to starting a business and by removing the requirement for micro-entrepreneurs to open a second bank account at least during the first year of business.</p>
	<p>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 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.</p>	<p>Limited progress:</p> <p>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 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.</p> <p>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.</p> <p>Limited progress has been made to raise the tax base on consumption, indirectly through the</p>	<p>5. Take action to reduce the taxes on production and the corporate income statutory rate while broadening the tax base on consumption, in particular as regards VAT. Remove inefficient tax expenditures, remove taxes that are yielding little or no revenue and adopt the withholding personal income tax reform by the end of 2016.</p>	<p>Limited progress:</p> <p>Limited progress has been made in reducing taxes on production and the corporate income. The last tranche of the turnover tax (C3S) has not been abolished and still weighs on 20 000 businesses. The statutory rate of corporate income tax will only be reduced to 28 % in 2017 for SMEs up to EUR 75 000 of profits. The objective of setting this rate at 28 % across the board by 2020 still stands. No progress on broadening the tax base on consumption, as the 2017 finance law does not remove or limit the use of reduced rates on VAT.</p> <p>Some progress has been made in modernising the tax system. The withholding tax reform for personal income tax has been adopted by Parliament and will be introduced by 2018. However, tax expenditures keep increasing in</p>

		<p>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.</p> <p>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.</p>		<p>number and in value and have exceeded the ceiling set in the 2014-2019 multiannual budgetary framework. In 2017, 14 new tax expenditures will be introduced while only 4 are to be suppressed and 5 come to an end. The removal of taxes yielding little or no revenue is progressing at a very slow pace.</p>
	<p>6. Reform the labour law to provide more incentives for employers to hire on open-ended contracts. 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.</p>	<p>Limited progress:</p> <p>Limited progress has been made in reducing labour market segmentation. 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.</p> <p>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</p>	<p>3. Improve the links between the education sector and the labour market, in particular by reforming apprenticeships and vocational training, with emphasis on the low-skilled. By the end of 2016, take action to reform the unemployment benefit system in order to bring the system back to budgetary sustainability and to provide more incentives to return to work.</p>	<p>Limited progress:</p> <p>Some progress has been made in improving the links between the education sector and the labour market. The implementation of the 2014 vocational training reform is ongoing. Apprenticeship figures stopped decreasing in 2015. The El Khomri labour law introduces a new personal activity account (CPA), entering into force in January 2017. It mostly reinforces training rights for non-qualified active workers.</p> <p>No progress has been made in reforming the unemployment benefit system. Social partners failed to agree on a new unemployment benefit convention in July, leading to an extension of the current 2014 convention. The timeline for adopting a reform of the unemployment benefit system is not clear yet.</p>

		<p>to derogate from general legal provisions, but the details of the law are not yet known.</p> <p><u>Some progress</u> has been made in reforming the employment conservation agreements ('accords de maintien de l'emploi'). The Macron law ('loi Macron') modified those, but no new agreement has been signed since the adoption of this law.</p> <p><u>Limited progress</u> has been made in reforming the unemployment benefit system. While the 2015 national reform programme announces a reform of the unemployment benefit system for 1 July 2016 at the latest, its content is not known at the moment.</p>		
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	<u>Country Specific Recommendations 2015</u> SGP: CSR 1 MIP: CSR 1, 2, 3, 4, 5, 6	<u>Assessment of implementation of CSR 2015</u> (COM Country Report, February 2016)	<u>Country Specific Recommendations 2016</u> SGP: CSR 1 MIP: CSR 1, 2, 3, 4, 5	<u>Assessment of implementation of CSR 2016</u> (COM Country Report, February 2017)
	<p>1. 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. Improve control over expenditure at central and local level, in particular by establishing a sanctioning mechanism for entities breaching budgetary limits. Adopt the Fiscal Responsibility Act and strengthen the capacity and role of the State Audit Office. Introduce a recurrent property tax and improve VAT compliance. Reinforce public debt management, in particular by publishing on an annual basis a debt management strategy and ensuring adequate resourcing.</p>	<p>Limited progress (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact):</p> <p>Limited progress 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.</p> <p>Limited progress 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.</p> <p>Limited progress in introducing a recurrent property tax and improving VAT compliance, as measures are being taken to improve tax 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.</p> <p>No progress in reinforcing public debt management and ensuring adequate resourcing,</p>	<p>1. Ensure a durable correction of the excessive deficit by 2016. Thereafter, achieve an annual fiscal adjustment of at least 0,6 % of GDP in 2017. Use any windfall gains to accelerate the reduction of the general government debt ratio. By September 2016, reinforce numerical fiscal rules and strengthen the independence and the mandate of the Fiscal Policy Commission. By the end of 2016, improve budgetary planning and strengthen the multi-annual budgetary framework. By the end of 2016, start a reform of recurrent taxation of immovable property. Reinforce the framework for public debt management. Adopt and start implementing a debt management strategy for 2016-2018.</p>	<p>Limited progress (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact):</p> <p>Limited progress in reinforcing numerical fiscal rules and strengthening the independence and the mandate of the Fiscal Policy Commission. While a new draft of the fiscal responsibility act and budget act were prepared, they have still not been adopted.</p> <p>Limited progress in improving budgetary planning and strengthen the multi-annual budgetary framework.</p> <p>Some progress in reforming recurrent property taxation. The authorities have introduced a simple recurrent real estate tax through amendments to the law on local taxes. The tax will enter into force as of 2018.</p> <p>Some progress regarding public debt management, related to the adopted debt management strategy, which covers the 2017-2019 period.</p>

		as the publication of a debt management strategy is delayed for end-2016 and no sufficient steps have been taken to ensure adequate resourcing.		
	<p>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.</p>	<p>Limited progress:</p> <p><u>Limited progress</u> 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.</p> <p><u>Limited progress</u> 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.</p>	<p>2. By the end of 2016, take measures to discourage early retirement, accelerate the transition to the higher statutory retirement age, and align pension provisions for specific categories with the rules of the general scheme. Provide appropriate up- and re-skilling measures to enhance the employability of the working-age population, with a focus on the low-skilled and the long-term unemployed. Consolidate social protection benefits, including special schemes, by aligning eligibility criteria and integrating their administration, and focus support on those most in need.</p>	<p>No progress:</p> <p><u>No progress</u> in reforming the pension system. Announced measures encouraging longer working lives and streamlining pension provisions have not been implemented. The authorities have completed a review of the arduous or hazardous professions benefiting from more generous pension provisions. However, the planned streamlining has not yet taken place.</p> <p><u>Limited progress</u> in providing up- and re-skilling measures. The programme for developing vocational education training has been adopted and new legislation is being prepared to improve adult learning. However, the scope of training actions provided by the Public Employment Services seems inadequate in view of the size of the challenge. There are no significant developments on recognition of skills and validation of non-formal and informal learning.</p> <p><u>No progress</u> in improving the social protection system. The action plan setting out the reform priorities has not yet been adopted. The authorities have completed the analysis of benefits granted at central government level with a view to categorising them and harmonising eligibility criteria. The planned introduction of means-testing for the child allowance is currently being reviewed. The establishment of one-stop shops to administer and provide social services is being postponed for the second time in a year. This has delayed the implementation of all the related reform measures.</p>

	<p>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 macroeconomic conditions. Strengthen incentives for the unemployed and inactive to take up paid employment. Based on the 2014 review, carry out the reform of the social protection system and further consolidate social benefits by improving targeting and eliminating overlaps.</p>	<p>Limited progress:</p> <p><u>Limited progress</u> in tackling the weaknesses in the wage-setting framework as preparatory steps have been taken to reform the wage-determination system in the public sector, but concrete measures have yet to be adopted.</p> <p><u>Limited progress</u> 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.</p>		
	<p>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.</p>	<p>Limited progress:</p> <p><u>Limited progress</u> 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.</p> <p><u>Some progress</u> 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.</p> <p><u>Limited progress</u> in advancing the listing of minority packages of shares of public companies and privatisations as no new privatisations took place, apart from the recapitalisation of the state bank HPB with an increased share of private owners.</p>	<p>3. By the end of 2016, start reducing fragmentation and improving the functional distribution of competencies in public administration to improve efficiency and reduce territorial disparities in the delivery of public services. In consultation with social partners, harmonise the wage-setting frameworks across the public administration and public services. Advance the divestment process of state assets and reinforce the monitoring of state-owned enterprises' performance and boards' accountability, including by advancing the listing of shares of state-owned companies.</p>	<p>Limited progress:</p> <p><u>Limited progress</u> in reforming the public administration. The main pillars of the reform have all been postponed due to lack of political commitment. In December 2016 the government adopted a new version of the 2017-2020 action plan for the modernisation of the public administration. New legislation redefining the division of tasks between the central and local state administration offices was due to be adopted in December 2016 but is still under preparation. There is no clear timetable for the plan to reduce the over 1 200 local branches of central administration offices by 20 %. The planned harmonisation and rationalisation of the state agencies system has been put on hold.</p> <p><u>No progress</u> in harmonising the wage-setting frameworks. The adoption of new legislation on public sector wages has been postponed by two years, to the end of 2019. Preparatory work has been carried out to develop an IT system to support the introduction of a universal system of wage grades. The authorities have also</p>

				<p>developed common guidelines for the negotiation, coordination and monitoring of collective agreements in the public administration. As far as state-owned enterprises are concerned, no further steps have been taken in setting up a coordinated system for collective bargaining.</p> <p>Limited progress in improving performance monitoring and corporate governance of state owned enterprises, and in divestment from state assets. Eight companies were removed from the government's list of companies and other legal entities of strategic and special interest, whereas the sale of stakes in non-strategic companies yielded income of 0.2 % of GDP in 2016.</p>
	<p>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.</p>	<p>Limited progress:</p> <p>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.</p> <p>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>	<p>4. Significantly reduce parafiscal charges. Remove unjustified regulatory restrictions hampering access to and the practice of regulated professions. Reduce the administrative burden on businesses.</p> <p><i>See CSR 5 (justice system)</i></p>	<p>Limited progress:</p> <p>Limited progress in reducing parafiscal charges. The authorities have decreased or cut only five parafiscal charges, with an impact significantly lower than planned in the national reform programme.</p> <p>Limited progress in removing regulatory restrictions in regulated professions. An action plan was submitted in July 2016, but it entails only limited reform proposals and does not provide details on the substance of the amendments. For a number of professions, the action plan states that current regulation is adequate and no modification is needed.</p> <p>Limited progress in reducing the administrative burden. An action plan for the reduction of administrative burden was adopted by the government.</p>

	<p>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.</p>	<p>Some progress:</p> <p><u>Substantial progress</u> 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.</p> <p><u>Some progress</u> 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.</p> <p><u>Limited progress</u> 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.</p> <p><u>Some progress</u> 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.</p>	<p>5. Take measures to improve the quality and efficiency of the judicial system in commercial and administrative courts. Facilitate the resolution of non-performing loans, in particular by improving the tax treatment of the resolution of non-performing loans.</p>	<p>Limited progress:</p> <p><u>Limited progress</u> in improving the justice system. The number of pending cases and length of court proceedings remain among the highest in the EU. Few measures have been implemented to improve the efficiency of justice (e.g. limited introduction of case management reforms) and it will take time for the implemented judicial map reform to show effects. Improving the quality of the justice system remains a challenge, particularly the electronic communication with courts, where no measures have been implemented that would allow public bodies, parties and legal professionals to send and receive court documents in electronic form.</p> <p><u>Some progress</u> in facilitating the resolution of non-performing loans, as sales accelerate. The recent tax reform's provisions on deductibility of non-performing loan write-offs may facilitate a faster resolution in 2017.</p>
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	<u>Country Specific Recommendations 2015</u> SGP: CSR 1 MIP: CSR 1, 2, 3, 4, 5, 6	<u>Assessment of implementation of CSR 2015</u> (COM Country Report, February 2016)	<u>Country Specific Recommendations 2016</u> SGP: CSR 1 MIP: CSR 1, 2, 3, 4, 5	<u>Assessment of implementation of CSR 2016</u> (COM Country Report, February 2017)
	<p>1. Achieve a fiscal adjustment 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. Implement the enabling law for tax reform by September 2015, in particular the revision of tax expenditures and cadastral values and the measures to enhance tax compliance.</p>	<p>Limited progress: (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact):</p> <p>Limited progress 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.</p> <p>Some progress 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 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).</p> <p>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</p>	<p>1. In 2016, limit the temporary deviation from the required 0,5 % of GDP adjustment towards the medium-term budgetary objective to the amount of 0,75 % of GDP allowed for investments and the implementation of structural reforms, subject to the condition of resuming the adjustment path towards the medium-term budgetary objective in 2017. Achieve an annual fiscal adjustment of 0,6 % or more of GDP towards the medium-term budgetary objective in 2017. Finalise the reform of the budgetary process in the course of 2016 and ensure that the spending review is an integral part of it. Ensure the timely implementation of the privatisation programme and use the windfall gains to accelerate the reduction of the general government debt ratio. Shift the tax burden from productive factors onto consumption and property. Reduce the number and scope of tax expenditures and complete the reform of the cadastral system by mid-2017. Take measures to improve tax compliance, including through electronic invoicing and payments.</p>	<p>Some progress (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact):</p> <p>The assessment of compliance with the Stability and Growth Pact will be made in Spring.</p> <p>Substantial progress has been made in reforming the budgetary process. A comprehensive reform of the process was passed in 2016. Its full implementation is expected in the 2018 Budget Law, which would make the spending review a more integral part of the budgeting process.</p> <p>Limited progress has been made in implementing the privatisation programme and in using the windfall gains to reduce public debt. In 2016, Italy has underachieved its privatisation targets (at 0.1 % of GDP in 2016 versus the planned 0.5 %) and the lower interest rate expenditure was counterbalanced by increased primary expenditure.</p> <p>Some progress has been made in shifting the tax burden from productive factors onto consumption and property. Italy's 2017 Budget Law contains several measures affecting the tax wedge on labour, including lower tax rates on productivity premia agreed in decentralised bargaining, an exemption from the payment of social security contributions for certain new hires, and the reduction of the social security contributions rate for the self-employed. These measures compound more sizeable measures taken in 2014 and 2015 to reduce the labour tax</p>

		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.		wedge. Limited progress has been made in reducing the number and scope of tax expenditures and in completing the reform of the cadastral system. Limited progress has been made in improving tax compliance. The 2017 Budget Law introduces a new tax on business income (IRI) to harmonise the tax system of small firms and corporations. It also introduces transparency provisions on the communication of invoices and VAT data, and a reform of tax administration, merging the tax-recovery agency (Equitalia) with the revenue agency. Sanctions and fines related to unpaid taxes in 2000-2015 are waived for taxpayers spontaneously regularising their tax position.
	2. Adopt the planned national strategic plan for ports and logistics, particularly to help promote intermodal transport through better connections. Ensure that the Agency for Territorial Cohesion is made fully operational so that the management of EU funds markedly improves.	Some progress: 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. 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.		
	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	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	2. Implement the reform of the public administration by adopting and implementing all necessary legislative decrees, in particular those reforming publicly-owned enterprises, local public services and	Limited progress: Limited progress has been made in implementing the public administration reform. Several implementing decrees have been adopted. However, on 25 November 2016, the


	<p>that the reforms adopted to improve the efficiency of civil justice help reduce the length of proceedings.</p>	<p>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.</p> <p>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.</p> <p>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 ‘Barbutto 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</p>	<p>the management of human resources. Step up the fight against corruption including by revising the statute of limitations by the end of 2016. Reduce the length of civil justice proceedings by enforcing reforms and through effective case-management.</p>	<p>Constitutional Court ruled that the procedure envisaged was unconstitutional for the decrees pointed out in the recommendations, notably those concerning human resource management, local public services and publicly-owned enterprises. Some of them had been already adopted (those regulating the management level in the health sector, disciplinary dismissals and state-owned enterprises) and have therefore to be amended. For two decrees, (on local public services and public managers), the delegation had already expired. The decree on non-managerial staff was also concerned, but it can still be adopted under the enabling law with the correct procedure.</p> <p>No progress has been made in revising the statute of limitations.</p> <p>Some progress has been made in enforcing civil justice reform and improving case-management but the length of proceedings is not decreasing.</p>
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		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.		
	<p>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.</p>	<p>Substantial progress:</p> <p><u>Substantial progress</u> 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.</p> <p><u>Some progress</u> 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.</p>	<p>3. Accelerate the reduction in the stock of non-performing loans, including by further improving the framework for insolvency and debt collection. Swiftly complete the implementation of ongoing corporate governance reforms in the banking sector.</p>	<p>Some progress:</p> <p><u>Limited progress</u> has been made in reducing non-performing loans (NPLs). In April 2016, a law was passed creating an NPL securitisation scheme supported by state guarantees (GACS), which became operational in August 2016 with the adoption of an implementing decree. Since April 2016, two private-sector backstop funds (Atlante I and II) have been set up to support the recapitalisation and the impaired asset disposal of vulnerable banks. Furthermore, the Bank of Italy has issued a new reporting template requiring banks to provide detailed data on their bad loans, collateral and ongoing recovery procedures. Although all these measures — including several reforms of insolvency and collateral enforcement rules — are in principle helpful in fostering the development of a secondary market for distressed assets in Italy, they have not yet resulted in significant short-term relief for the banking sector. In December 2016, the government approved the setup of a EUR 20 billion fund for the precautionary recapitalisation of and liquidity support for vulnerable banks, but it is not yet clear whether this will be a turning-point in the clean-up of the Italian banking sector.</p> <p><u>Some progress</u> has been made in improving the framework for insolvency and debt collection. In June 2016, further changes to Italy's insolvency and collateral enforcement rules were made. Inter alia, provisions authorise private enforcement clauses in loan contracts allowing</p>

				<p>creditors to take ownership of collateral out-of-court in the event of a debtor's default (patto marciano), and enable entrepreneurs to pledge movable assets while continuing to use them (a kind of non-possessory lien). Furthermore, an electronic register for insolvency cases will be set up, and hearings can now be held electronically. The reforms complement those of 2015, but it may take some time before their results in terms of shorter proceedings and higher recovery values — essential for NPL market activity — materialise. In the meantime, a draft enabling law aiming to fundamentally overhaul the insolvency and enforcement framework is currently under parliamentary discussion.</p> <p>Some progress has been made in implementing corporate governance reform. With the adoption of a law in April 2016 and implementing provisions by the Bank of Italy in November 2016, the 18-month implementation period started for the self-reform of the segment of small mutual banks (banche di credito cooperativo (BCCs)). BCCs wishing to retain their cooperative status will have to join one of the cooperative banking groups that will be set up, and their relationship with the group's holding company will be determined by risk-based 'cohesion contracts'. The implementation of the 2015 reforms of large cooperative banks (banche popolari) and bank foundations has continued, although legal challenges and unfavourable market conditions have led to some delays.</p>
	<p>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</p>	<p>Substantial progress:</p> <p>Full implementation has been achieved regarding the revision of wage supplementation schemes and contractual arrangements. The relevant legislative decrees following the Jobs</p>	<p>4. Implement the reform of active labour market policies, in particular by strengthening the effectiveness of employment services. Facilitate the take-up of work for second earners. Adopt and</p>	<p>Some progress:</p> <p>Some progress has been made in implementing the reform of ALMPs. The new Agency in charge of active labour market policies (ANPAL) is operational as of January 2017. A</p>

	<p>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.</p>	<p>Act have been adopted in June and September 2015.</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>implement the national antipoverty strategy and review and rationalise social spending.</p>	<p>pilot outplacement voucher (assegno di ricollocazione) scheme was launched in November 2016 covering a sample of 30 000 beneficiaries.</p> <p>Limited progress has been made in facilitating the take-up of work by second earners. The 2017 Budget Law extends paternity leave from two to four days as of 2018. It also extends to 2017 and 2018 the possibility, first introduced in 2012, to exchange parental leave with babysitting vouchers and introduces a non-means-tested voucher for EUR 1 000 per year to be spent in public or private nurseries.</p> <p>Some progress has been made with regard to the national antipoverty strategy. The active inclusion measure (SIA), which provides economic and social care to disadvantaged households, was rolled out at national level. An enabling law aimed at establishing a single comprehensive scheme against poverty, replacing SIA and the unemployment assistance scheme (ASDI), has been approved by the Chamber of Deputies.</p>
	<p>6. Implement the simplification agenda for 2015-17 to ease the administrative and regulatory burden. Adopt competition-enhancing measures in all the sectors covered by the competition law, and take decisive action to remove remaining barriers. Ensure that local public services contracts not complying with the requirements on in-house awards are rectified by no later than end-2015.</p>	<p>Limited progress:</p> <p>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.</p> <p>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</p>	<p>5. Swiftly adopt and implement the pending law on competition. Take further action to increase competition in regulated professions, the transport, health and retail sectors and the system of concessions.</p>	<p>Limited progress:</p> <p>No progress has been made with regard to the pending law on competition. The draft law was presented to Parliament in April 2015 and has not yet been approved by the Senate.</p> <p>Limited progress has been made in addressing remaining barriers to competition in regulated professions, the transport, health and retail sectors and the system of concessions. The code for public procurement and concessions was revised in 2016. No further measures were taken</p>


		<p>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.</p> <p><u>No progress</u> 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 reform the sector have been included in the 2015 enabling law to reform the public administration.</p>		to remove remaining barriers to competition in the other sectors.
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CY 	Country Specific Recommendations 2015	Assessment of implementation of CSR 2015 (COM Country Report, February 2016)	<u>Country Specific Recommendations 2016</u> SGP: CSR 1 MIP: CSR 1, 2, 3, 4, 5	<u>Assessment of implementation of CSR 2016</u> (COM Country Report, February 2017)
	<p>To avoid duplication with measures set out in the Economic Adjustment Programme, there are no additional recommendations for Cyprus.</p>		<p>1. Following the correction of the excessive deficit, respect the medium-term budgetary objective in 2016 and in 2017. By the end of 2016, adopt a binding mechanism containing the growth rate of the compensation of public employees. By the end of 2016, adopt the horizontal reform of the public administration and the law on the governance of state-owned entities, and implement the reform of local governments. By the end of 2016, adopt the secondary legislation to complete the new budgetary framework.</p>	<p>Limited progress in addressing CSR 1 despite the completion of the budgetary framework. Indeed, limited progress has been made to adopt the draft bills regarding the wage bill while no progress was made concerning the public administration reform. No progress was made regarding the reform of state owned enterprises and local government, which related bills are still pending adoption by the House of Representatives.</p> <p>The assessment of compliance with the Stability and Growth Pact will be included in spring 2017, when final data for 2016 will be available</p> <p>There has been limited progress with regard to the binding mechanism containing the growth rate of the compensation of public employees. The mechanism has been introduced until 2018 in collective agreements with public sector unions. However, the legislative proposal to make this mechanism permanent has been rejected by the House of Representatives.</p> <p>There has been no progress with regard to the horizontal reform of the public administration. The draft laws have been rejected by the House of Representatives.</p> <p>There has been no progress with regard to the law on the governance of state-owned entities, and the reform of local governments. These reforms have not yet been adopted by the House of Representatives.</p>

				<p>There has been substantial progress as the legislation to complete the new budgetary framework has been adopted by the House of Representatives but implementation steps are still missing for it to be effective.</p>
			<p>2. By June 2017, eliminate impediments to the full implementation of the insolvency and foreclosure frameworks and ensure adequate resources for the Insolvency Service. Ensure reliable and swift systems for the issuance of title deeds and the transfer of immovable property rights. Increase the efficiency and capacity of the court system. Reform the civil procedure law.</p>	<p>Cyprus has made limited progress with regard to CSR 2 on implementation of the insolvency and foreclosure frameworks and improving the title deeds issuance and transfer system. Some measures have been announced but remain to be adopted, while no full review of the insolvency and foreclosure frameworks, nor title deeds reform legislation have been tabled.</p> <p>There has been some progress in eliminating barriers to fully implementing the insolvency and foreclosure frameworks and in ensuring adequate resources for the Insolvency Service. Necessary amendments to the legislation on insolvency have been identified but not yet drafted, and no timetable has been released for their submission to the House of Representatives. Rules of Court have been adopted for personal insolvency procedures and are being prepared for corporate insolvency procedures. The capacity of the Insolvency Service has been increased. The foreclosure infrastructure has been developed.</p> <p>There has been limited progress on ensuring reliable and swift systems for issuing title deeds and transferring immovable property rights. Administrative and legislative measures have been taken to facilitate the issuance of title deeds, but no draft legislation for transfer of title deeds has been prepared due to the lack of understanding and agreement among stakeholders.</p> <p>There has been limited progress on increasing the efficiency and capacity of the court system</p>

				and reforming the civil procedure law, as several reform initiatives have been announced but remain at a preliminary stage.
			<p>3. By the end of 2016, take additional measures to ensure a decline in non-performing loans and accurate valuations of collateral for provisioning purposes. Increase the range of information available for creditors and enhance the information currently provided to make the credit registry fully effective.</p>	<p>There has been some progress overall on CSR 3, regarding measures to ensure a decline in non-performing loans and increase the range of information available for creditors through the credit registry, which is now fully operational for loan origination purposes.</p> <p>There has been <u>some progress</u> on taking measures to ensure a decline in non-performing loans and accurate valuations of collateral for provisioning purposes. In particular, due to increased loan restructuring efforts incentivised by Government and Central Bank of Cyprus measures, the stock of NPLs has started to decline, but remains at a very high level. Some steps were also taken to create a secondary market for loans although no transaction has taken place.</p> <p>There has been <u>some progress</u> in increasing the range of information available for creditors through the credit registry, which is currently operational for loan origination purposes.</p>
			<p>4. Remove impediments to investment, in particular by implementing the action plan for growth, pursuing the privatisation plan and strengthening the national regulatory authorities. Take measures to increase access to finance for small and medium-sized enterprises.</p>	<p>Cyprus has made some progress towards removing impediments to investment as it started implementing the action plan for growth and made some minor progress with regard to privatisation, while limited progress was achieved concerning the facilitation of SME's access to finance.</p> <p>There has been <u>some progress</u> in implementing the action plan for growth. However, many workstreams have yet to enter their implementation phase.</p> <p>There has been <u>limited progress</u> in pursuing the privatisation plan. Draft bills aimed at launching</p>


				<p>the privatisation process of the Cyprus Telecommunications Authority (CyTA) were abandoned at the eve of the May 2016 general election, due to strong political opposition. Alternative proposals have not yet been formulated. Although minor privatisation projects still follow their course, budgetary funding for the privatisation unit has been cancelled.</p> <p>There has been some progress in strengthening the national regulatory authorities, notably through the capacity increase of the energy regulator CERA.</p> <p>There has been limited progress in increasing access to finance for SMEs, as most new initiatives from the authorities remain at a preliminary stage.</p>
			<p>5. Enhance the capacity of the public employment services and their provision to the long-term unemployed; improve outreach to the non-registered unemployed. Adopt legislation for a hospital reform and advance with the planned implementation of universal health care coverage.</p>	<p>There has been limited progress overall in addressing CSR 5.</p> <p>Limited progress has been made concerning the enhancement of the capacity of the public employment services. This is because the recruitment of additional counsellors has been continuously delayed and the plans for improving the service remain vague. Some progress has been made to reach out to the non-registered unemployed, especially young people, but the outcome of these initiatives in terms of outcomes is not yet known.</p> <p>There has been limited progress in adopting legislation for a hospital reform and advancing with the planned implementation of universal healthcare coverage. Two bills for the creation of the National Health System and the autonomy of public hospitals were submitted to the House of Representatives, and are currently under discussion.</p>

LV 	<u>Country Specific Recommendations 2015</u> SGP: CSR 1 MIP: -	<u>Assessment of implementation of CSR 2015</u> (COM Country Report, February 2016)	<u>Country Specific Recommendations 2016</u> SGP: CSR 1 MIP: -	<u>Assessment of implementation of CSR 2016</u> (COM Country Report, February 2017)
	<p>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.</p>	<p>The Commission evaluated CSR 1 implementation in its Assessment of the 2016 Stability Programme for Latvia (May 2016) without explicitly referring to the assessment grid used for other CSRs:</p> <p><i>‘The overall assessment points to a risk of some deviation from the recommended adjustment path towards the MTO in 2016. For 2017, the planned structural adjustment is in line with the required adjustment path towards the MTO, but the average expenditure growth over 2016 and 2017 points to a risk of some deviation, following an overall assessment.’</i> (p. 18)</p>	<p>1. Ensure that the deviation from the adjustment path towards the medium-term budgetary objective in 2016 and 2017 is limited to the allowance linked to the systemic pension reform and the major structural reform in the healthcare sector. Reduce the tax wedge for low-income earners by exploiting a growth-friendly tax shift towards environmental and property taxes and improving tax compliance.</p>	<p>Limited progress (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact):</p> <p>The compliance assessment with the Stability and Growth Pact will be included in spring when final data for 2016 will be available.</p> <p>Limited progress has been made in shifting the tax burden away from low-wage earners. Adopted measures have a limited effect. The tax wedge on low-wage earners remains high, while there is a scope to shift taxation to consumption, property and capital.</p> <p>Some progress has been made in improving tax compliance. A number of small measures have been introduced. The increased tax revenue relative to the tax base demonstrates a better collection.</p>
	<p>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. Better target research financing and incentivise private investment in innovation on the basis of the Smart Specialisation Framework.</p>	<p>Some progress:</p> <p>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 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</p>	<p><i>See CSR 2 (vocational education)</i> <i>See CSR 3 (private investment in innovation)</i></p>	

	<p>regulatory framework for work-based learning is not yet established.</p> <p>Some progress 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.</p> <p>Some progress 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.</p>		
<p>3. Take concrete steps to reform social assistance, ensuring adequacy of benefits, and take measures to increase employability. Reduce the high tax wedge for low-income earners by shifting the tax burden to other sources less detrimental to growth. Take action to improve the accessibility, cost-effectiveness and quality of the healthcare system and link hospital financing to performance mechanisms.</p>	<p>Limited progress:</p> <p>Limited progress has been made in reforming social assistance and ensuring adequacy of benefits. The preparatory work is ongoing to reform social assistance by introducing the minimum income level from 2017, but its implementation is uncertain. The social assistance benefit adequacy has not improved since 2009.</p> <p>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).</p> <p>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</p>	<p>2. Improve the adequacy of social assistance benefits and step up measures supporting recipients in finding and retaining work, including through increased coverage of activation measures. Speed up the curricula reform in vocational education, establish — with the involvement of social partners — a regulatory framework for work-based learning and increase their offer. Improve the accessibility, quality and cost-effectiveness of the healthcare system.</p>	<p>Limited progress:</p> <p>Limited progress has been made in improving adequacy of social assistance benefits. The key reform of the minimum income level was not implemented as planned in 2017 and future plans are uncertain. The family state benefit has been excluded from the means test to qualify for social assistance with a limited improvement in benefit adequacy.</p> <p>Some progress has been made in supporting social assistance recipients in finding and retaining work. The EU financed programmes have picked up in 2016 after a dip in 2015. Measures for vulnerable groups are expanded, but regional mobility support is not fully utilised. To encourage taking up employment, income up to the minimum wage is excluded from the means test for the social assistance for three months from start of employment.</p> <p>Some progress has been made in improving vocational education. The regulatory framework for work-based learning and on development of</p>

		<p>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.</p> <p>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 historical case-based costs, but intra-year financing is not yet directly linked to actual costs per case.</p>		<p>VET programmes is established. Limited progress has been made on curricula reform in 2016, which is to be finalised in 2021.</p> <p>Limited progress has been made. The current structure of the system, with high out-of-pocket and informal payments, still leaves much of the population with unmet healthcare needs. There is some increase in public funding in 2017, but no medium-term financing plans have been adopted yet. The implementation of e-health services is delayed.</p>
	<p>4. Improve efficiency of the judicial system, by increasing accountability of all parties (including insolvency administrators), by providing adequate means to fight tax evasion and by strengthening the role of the Judicial Council. Improve the public service legislation to strengthen the conflict of interest regime and link remuneration to responsibilities.</p>	<p>Limited progress:</p> <p>Some progress has been made 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.</p> <p>Limited progress has been made 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.</p> <p>Some progress has been made 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</p>	<p>3. Pursue the consolidation of research institutions and provide incentives for private investment in innovation. Strengthen the conflict of interest prevention regime and set up a common legal framework for all public employees. Increase the accountability and public oversight of insolvency administrators.</p>	<p>Some progress:</p> <p>Some progress has been made in the consolidation of research institutions and in private innovation incentives. The consolidation of research institutions is ongoing. Business investment in R&D has slightly declined and remains low in international comparison.</p> <p>Limited progress has been made in strengthening the conflict of interest prevention regime. The legislative framework has been further developed by granting more independence of the director of the corruption prevention office and by an expert-based selection process of the director, but there is political reluctance to apply this framework. The draft Public Service Law has not progressed and will be reviewed in light of the upcoming public service reform.</p> <p>Some progress has been made in increasing the accountability and public oversight of insolvency administrators. Legal framework and tools for supervision of insolvency</p>

		<p>measures are included in the 2016 budget and the draft plan for tackling the shadow economy.</p> <p><u>No progress</u> 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.</p>		<p>administrators have been put in place. The capacity of the state police is gradually increased for preventing criminal offences related to insolvency.</p>
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 LT	<u>Country Specific Recommendations 2015</u> SGP: CSR 1 MIP: -	<u>Assessment of implementation of CSR 2015</u> (COM Country Report, February 2016)	<u>Country Specific Recommendations 2016</u> SGP: CSR 1 MIP: -	<u>Assessment of implementation of CSR 2016</u> (COM Country Report, February 2017)
	<p>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.</p>	<p>Limited progress (this overall assessment of CSR1 does not assess compliance with the Stability and Growth Pact):</p> <p><u>Limited progress</u> in reviewing the tax system. Minor amendments have been made to increase environmental and property taxation and to narrow tax exemptions for capital income.</p> <p><u>Some progress</u> has been made to improve tax compliance. The government introduced several measures, in particular a 'VAT Invoice register' project to improve the collection of VAT.</p>	<p>1. Ensure that the deviation from the medium-term budgetary objective is limited to the allowance linked to the systemic pension reform in 2016 and in 2017. Reduce the tax burden on low-income earners by shifting the tax burden to other sources less detrimental to growth and improve tax compliance, in particular in the area of VAT.</p>	<p>Some progress (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact):</p> <p><u>Substantial progress</u> has been made in reducing the tax burden on low-wage earners. Lithuania has substantially increased the non-taxable allowance for the low wage earners.</p> <p>Lithuania raised the non-taxable allowance and the allowance for dependent children substantially as from 2017.</p> <p>As a result, the tax wedge to low earners is lowered by up to 2.5 pp for households without children and by up to 3.5 pp to households with children.</p> <p>However, these tax measures fail to further lower the tax wedge to some of the most vulnerable households, e.g. single earners with two children or more.</p> <p><u>Some progress</u> in shifting the tax burden to other sources. Measures to compensate for the revenue loss due to reduced tax burden on labour cover about a half of those losses.</p> <p>The diversity of new tax sources; however, is limited however as the vast majority of additional revenue comes from increase in excise taxes on cigarettes and alcohol.</p> <p><u>Some progress</u> in improving tax compliance. Lithuania has adopted a number of measures that are expected to improve its analytical and tax collection ability substantially. The actual</p>


				<p>impact on tax collection of these efforts; however is yet to be seen.</p> <p>During 2016 Lithuania introduced an electronic invoicing system and an electronic waybill system.</p>
	<p>2. Address the challenge of a shrinking working-age population by improving the labour-market 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.</p>	<p>Limited progress:</p> <p><u>Some progress</u> has been made to improve the labour-market relevance of education. Infrastructure for training has been further improved. Some progress has been made on putting in place modular VET training programmes, on improving VET governance and on offering more work-based learning opportunities.</p> <p><u>Limited progress</u> has been made to increase attainment in basic skills.</p> <p><u>Limited progress</u> 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.</p> <p><u>Limited progress</u> 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).</p>	<p>2. Strengthen investment in human capital and address skills shortages, by improving the labour market relevance of education, raising the quality of teaching and adult learning. Reinforce the coverage and effectiveness of active labour market policies. Strengthen the role of social dialogue mechanisms. Improve the performance of the healthcare system by strengthening outpatient care, disease prevention and health promotion. Improve the coverage and adequacy of unemployment benefits and social assistance.</p>	<p>Some progress:</p> <p><u>Limited progress</u> has been made in strengthening the investment in human capital. Overall, Lithuania has adopted some measures that partly address the CSR, but a fair amount of work is still needed to fully address the CSR.</p> <p>Lithuania continues implementing measures to improve the attractiveness of vocational education and training, and has taken steps to expand availability of work-based learning.</p> <p>However, there is limited progress on improving the quality of teaching, and especially the working conditions and professional development of teachers.</p> <p>Also, there is a lack of improvement in the uptake of adult learning.</p> <p><u>Some progress</u> has been made in reinforcing the coverage and effectiveness of active labour market policies. Overall, LT has adopted some measures that partly address the CSR, but a fair amount of work is still needed to fully address the CSR.</p> <p>Lithuanian Public Employment Service implemented specific activation projects targeting the low-skilled, long-term unemployed, older and disabled persons.</p> <p>Lithuania has adopted the new Law on Employment, which is planned to come into force in July 2017.</p>

				<p><u>Some progress</u> in strengthening the role of social dialogue mechanisms.</p> <p>LT has adopted the legislative package on the "new social model", among them a new labour code. It includes new provisions for collective bargaining, industrial action, and the participation in the Tripartite Council, but the implementation is postponed to 1 July 2017.</p> <p>The Ministry of Social Affairs and Labour has adopted the Action Plan for Strengthening of Social Dialogue in Lithuania for 2016-2020. It will support the promotion of social dialogue between employers and employees' representatives (at national and local levels), and include other measures, including capacity building for the social partners, in order to foster the social dialogue. However, some social partners indicated that they were not fully involved in designing the Action Plan, which may not cover their real needs.</p> <p><u>Some progress</u> has been made in improving the performance of healthcare system.</p> <p>Lithuania has advanced on the fourth stage of the health system reform, particularly on shifting patients from inpatient to outpatient settings.</p> <p>A State Health Promotion Fund was established in 2016 funded by resources from alcohol excise duties and some projects are being supported by the fund; other small projects are being implemented.</p> <p>Other actions that could support the improvement of the performance of the health system, as the Action Plan for reducing health inequalities 2014-2023 are still to be effectively launched.</p> <p>Regarding corruption on healthcare the authorities have concrete plans that seem to be</p>
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				<p>adequate, but, as in all other areas, the success of implementation will be crucial.</p> <p>Some progress has been made in improving the coverage and adequacy of unemployment benefits. There was no progress in the adequacy of social assistance but a slight one as regards coverage.</p> <p>LT has adopted measures that address the CSR, but a fair amount of work is still needed to fully address the CSR as only a few of the adopted measures have been implemented, and their effect is not tangible yet.</p> <p>LT has adopted the new labour code and the "social model", but the implementation is postponed to 1 July 2017. The initial analysis shows that while coverage of the unemployment insurance benefits may increase, the increase in adequacy could be only marginal. The effect of the new legislation "on the ground" is not clear at the moment.</p> <p>Regarding the social benefits, the amendments indeed increase the coverage, and for some beneficiary groups, the adequacy might be slightly improved. However, overall the adequacy of the social benefits remains low, and no major changes have been implemented since 2008.</p>
	<p>3. Adopt a comprehensive reform of the pension system that also addresses the challenge of achieving pension adequacy. Improve the coverage and adequacy of unemployment benefits and cash social assistance and improve the employability of those looking for work.</p>	<p>Limited progress:</p> <p>Limited progress on the comprehensive pension system reform. Lithuania has announced 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.</p>	<p><i>See CSR 2 (unemployment benefits and social assistance)</i></p>	

		<p>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.</p> <p>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.</p>		
			<p>3. Take measures to strengthen productivity and improve the adoption and absorption of new technology across the economy. Improve the coordination of innovation policies and encourage private investment, inter alia, by developing alternative means of financing.</p>	<p>Limited progress:</p> <p>Limited progress has been made in strengthening the productivity.</p> <p>Although, implementation of the European Structural and Investment Funds and the Lithuanian Smart Specialisation Framework are expected to support this process in the coming years, no additional measures to address the challenge have been adopted.</p> <p>Limited progress has been made to improve coordination of innovation policies. President's Office called for reforms in the "Lithuanian Science and Innovation Policy Reform Guidelines", these were adopted by the Parliament and are expected to trigger the reform process in 2017.</p>


				<p><u>Some progress</u> has been made in developing alternative means of financing.</p> <p>Lithuania has helped establish and fund a number of venture capital and seed capital funds. Also, the government has recently passed a law on crowd-investing.</p>
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 LU	<u>Country Specific Recommendations 2015</u> SGP: - MIP: -	<u>Assessment of implementation of CSR 2015</u> (COM Country Report, February 2016)	<u>Country Specific Recommendations 2016</u> SGP: - MIP: -	<u>Assessment of implementation of CSR 2016</u> (COM Country Report, February 2017)
	<p>1. Broaden the tax base, in particular on consumption, recurrent property taxation and environmental taxation.</p>	<p>No progress (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact):</p> <p>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.</p> <p>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.</p> <p>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 base has been announced. A study on the reform of taxation of energy products for transport has been commissioned but has not been published yet.</p> <p>The government announced its intention to introduce a reform of the taxation system to enter into force at the beginning of 2017.</p>		

	<p>2. Close the gap between the statutory and effective retirement age, by limiting early retirement and by linking statutory retirement age to life expectancy.</p>	<p>Limited progress:</p> <p><u>Limited progress</u> 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 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.</p> <p><u>No progress</u> in linking statutory retirement age to life expectancy. No measures has been adopted or announced.</p>	<p>1. Ensure the long-term sustainability of public pensions by increasing the effective retirement age, by limiting early retirement and increasing incentives to work longer, and by aligning the statutory retirement age to changes in life expectancy.</p>	<p>Limited progress: Progress has [been] limited for all subparts of the CSR and no progress has been made in relation to the recommendation to align the statutory retirement age to changes in life expectancy.</p> <p><u>Limited progress</u> in ensuring the sustainability of the public finances. A working group on pensions was set up in April 2016 with the task of carrying out a sustainability analysis of the pension system. In early December 2016 a report was published. It contains a detailed analysis of the situation of the national pension system. It shows inter alia that based on current scenario (the Ageing Working Group) revenues from contributions will remain higher than pension expenditure up to 2022 (the last year of the current contribution period). Simulations were also done with alternative scenarios. These simulations show that under less favourable economic and demographic assumptions, the size of the pension challenge could be larger than currently estimated.</p> <p><u>Limited progress</u> in increasing the effective retirement age. A law on reclassification of workers with working disabilities has been adopted in 2015 and is being implemented since the beginning of 2016. It aims to keep workers with disabilities in the labour market. It is too early to assess its impact however.</p> <p><u>Limited progress</u> on reforms regarding early retirement. A draft law to modify existing legislation on early retirement is still to be discussed in the Parliament.</p> <p><u>Limited progress</u> on increasing incentives to work longer. A legislative initiative, referred to as 'Age Pact', which includes a whole package of measures to keep workers longer in</p>
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				<p>employment, is tabled in the Parliament, but it has not been adopted yet.</p> <p>No progress in aligning the statutory retirement age to changes in life expectancy. There are no measures to link the effective retirement age to changes in life expectancy.</p>
	<p>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.</p>	<p>No progress:</p> <p>No progress 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.</p>		
			<p>2. Remove barriers to investment and innovation that limit economic development in the business services sector. Address bottlenecks that hamper housing investment.</p>	<p>Limited progress: Progress has been limited in removing barriers to investment, while some progress has been made in addressing bottlenecks to housing investment.</p> <p>Limited progress in removing barriers to investment and innovation that limit economic development in the business services sector. By decision of the 'Conseil de Gouvernement' of 2 September 2016, the fixed tariffs in public contracts for the services provided by architects and engineers have been abolished.</p> <p>Some progress in addressing bottlenecks that hamper housing investment. Numerous measures have been adopted or are planned. The</p>

				<p>measures are: i) a reform of local government financing has been adopted in December 2016. It links, at least partially, the financing of the municipalities to initiatives favouring housing investment; ii) a draft 'Omnibus' law (n. 6704) has been approved at beginning of 2017. Among others, it aims at streamlining the building permits procedure; iii) the tax reform includes measures intended to provide incentives to increase the supply of houses and construction land (temporary tax exemption for 50 % of the capital gain realised on the sale of constructible land); and iv) an initiative to produce a new sectoral housing plan. Nevertheless, the challenge ahead for the Luxembourg authorities remains sizeable.</p>
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 HU	<u>Country Specific Recommendations 2015</u> SGP: CSR 1 MIP: CSR 1, 2, 3	<u>Assessment of implementation of CSR 2015</u> (COM Country Report, February 2016)	<u>Country Specific Recommendations 2016</u> SGP: CSR 1 MIP: -	<u>Assessment of implementation of CSR 2016</u> (COM Country Report, February 2017)
	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.	<p>The Commission evaluated CSR 1 implementation in its Assessment of the 2016 Convergence Programme for Hungary (May 2016) without explicitly referring to the assessment grid used for other CSRs:</p> <p><i>“Overall, the adjustment path planned in the programme is not in line with the requirement of the preventive arm of the Stability and Growth Pact with a high risk of a significant deviation in 2016 and 2017.”</i> (p. 22)</p>	1. In view of the high risk of a significant deviation, achieve an annual fiscal adjustment of 0,3 % of GDP towards the medium-term budgetary objective in 2016 and of 0,6 % of GDP in 2017, unless the medium-term budgetary objective is respected with a lower effort, by taking the necessary structural measures.	The compliance assessment with the Stability and Growth Pact will be included in Spring when final data for 2016 will be available.
	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 linked to increased state ownership in the banking sector.	<p>Some progress:</p> <p>Some progress was made in taking measures to restore normal lending and removing obstacles to market 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.</p> <p>No progress 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.</p>		

	<p>3. Reduce 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; continue to fight tax evasion, reduce compliance costs and improve the efficiency of tax collection. Strengthen structures in public procurement that promote competition and transparency and further improve the anti-corruption framework.</p>	<p>Limited progress:</p> <p>Some progress has been made in the reduction of 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.</p> <p>Limited progress 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.</p> <p>Limited progress 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.</p> <p>Substantial progress has been made to fight tax evasion. Recent policies put in place to combat VAT avoidance and tax evasion seem to have produced visible yields and the 2016 budget counts on further revenue gains.</p> <p>Limited progress has been made in the reduction of compliance costs and the improvement of the efficiency of tax collection.</p> <p>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</p>	<p>2. Further reduce sector-specific taxes and reduce the tax wedge for low-income earners. Strengthen transparency and competition in public procurement through e-procurement, increased publication of tenders and further improvement of the anti-corruption framework. Improve the regulatory environment in the services sector and in the retail sector by addressing restrictive regulations and ensuring predictability.</p>	<p>Limited progress:</p> <p>Hungary has made limited progress in addressing the first subpart of CSR 2 as regards the further reduction of sectorial taxes. By means of measures adopted (published) on 15.6.2016 and implemented with effect from 1.1.2017, the bank levy on the taxable base in excess of HUF 50 billion is reduced from 0.24% to 0.21% of the balance sheet total. This reflects a downward trend as the bank levy was first reduced as of 1.1.2016 from 0.53% to 0.24%. At the same time, some distortive sectorial taxes remain, in particular in the telecommunications sector (utilities tax, telecommunications tax,) and the energy sector (Robin Hood tax, utilities tax).</p> <p>Hungary has made some progress in addressing the second subpart of CSR 2 as regards the reduction of the tax wedge for low-income earners. By means of measures announced in November 2016 and implemented with effect from 1.1.2017, the employers' social security contributions are cut from 27% to 22% and are set to be further reduced to 20% from 2018. This general measure reduces the tax wedge for all employees. Personal income tax allowance for families with two children is further increased. The tax wedge of low-income earners however remains higher than the EU average and in regional peers.</p> <p>As regards anti-corruption, Hungary has made limited progress. New measures taken streamline the internal control and the integrity management functions. The real impact of the national anti-corruption programme's approach on preventing and curbing down corruption has not been evaluated yet. No legal measures have been taken to improve the protection of whistle-blowers or to reduce favouritism among</p>
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		<p>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.</p> <p>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.</p>		<p>government officials. Prosecution of high-level corruption remains limited and affects deterrence. Limited progress can be seen as regards public procurement. Revised versions of the e-procurement strategy were sent in the second half of 2016. Although the document is a solid basis for future developments. Hungary also committed to develop an e-procurement system, and test it through a pilot project. So far, no pilot project has been launched, nor did Hungary draw up a concrete concept of what it intends to do in this regard.</p> <p>Regarding service sector in the field of energy, the concentration of household gas customers into one gas supplier and regulated end-user prices eliminates retail competition and does not contribute to attract investments in the energy utility sector. No progress has been made on improving the regulatory environment in the services sector and in the retail sector.</p>
	<p>4. Reorient the budget resources allocated to the public work scheme to active labour market measures to foster integration into the primary labour market; and improve the adequacy and coverage of social assistance and unemployment benefits.</p>	<p>No progress:</p> <p>No progress has been made to 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.</p> <p>No progress has been made to improve the adequacy and coverage of social assistance and unemployment benefits. The duration of the</p>	<p>3. Facilitate the transition from the public works scheme to the primary labour market and reinforce other active labour market policies. Improve the adequacy and coverage of social assistance and unemployment benefits. Take measures to improve educational outcomes and to increase the participation of disadvantaged groups, in particular Roma, in inclusive mainstream education.</p>	<p>Limited progress:</p> <p>Hungary has made some progress in reinforcing active labour market policies other than the public work scheme. Following legislative changes PWS participants are now entitled to a placement benefit if they find employment in the primary labour market. The training component of the PWS has been enhanced. As of January 2017 further activation measures were introduced. From 2016, the ESF co-financed “Training of Low-skilled and Public Workers” programme supports training for among others public workers. PWS participants also receive training supported by funds from the Ministry of Interior. During the first ten months of 2016 almost 20 thousand public workers were involved in trainings. ESF (and YEI) supported ALMP programmes started to roll out in 2015 and 2016. The two major programmes are the</p>


		<p>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.</p>		<p>“Path to the labour market” and the Youth Guarantee. Until the end of October 2016, more than 39,000 people have been involved in the first programme, and more than 41,000 young people in the YG. The national expenditure for active labour market policies is planned to be gradually increased, whereas expenditures of the public work schemes will be decreased in the upcoming years. In 2017 the budgetary allocation for public works is set to stabilize while spending on other ALMPs is set to increase.</p> <p>Limited progress was observed with regards to the improving the adequacy and coverage of social assistance and unemployment benefits. The duration of unemployment benefits is still the lowest in the EU at 3 months. The budget for 2017 foresees an increase (by about 5%) of the nominal value of some benefits: elderly support, care assistance, child support benefit. There has been a 12% increase regarding the so called "home-acquisition" support provided for those young people who leave institutional care. The level of the other entitlements is not planned to change in 2017.</p> <p>Hungary made limited progress in improving educational outcomes and increasing participation of disadvantaged groups in inclusive mainstream education. Recent PISA results show a deterioration of educational outcomes. The distribution of disadvantaged pupils between schools is uneven and the corresponding corrective mechanisms are insufficient. National and European surveys indicate that increasing shares of Roma children attend Roma-majority schools and classes. Legislative changes aiming at addressing this have been tabled, but remain to be adopted and implemented.</p>
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	<p>5. Increase the participation of disadvantaged groups in particular Roma in inclusive mainstream education, and improve the support offered to these groups through targeted teacher training; strengthen measures to facilitate the transition between different stages of education and to the labour market, and improve the teaching of essential competences.</p>	<p>Limited progress:</p> <p><u>Limited progress</u> has been made in increasing the chances of disadvantaged pupils, in particular Roma in inclusive mainstream education and preparing teachers for this.</p> <p><u>No progress</u> has been made in facilitating transitions between different stages of education.</p> <p><u>Some progress</u> has been made in facilitating the transition from education to the labour market.</p> <p><u>Some progress</u> has also been made in improving the teaching of key competences.</p>	<p><i>See CSR 3 (participation of disadvantaged groups in mainstream education)</i></p>	
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 MT	<u>Country Specific Recommendations 2015</u> SGP: CSR 1 MIP: -	<u>Assessment of implementation of CSR 2015</u> (COM Country Report, February 2016)	<u>Country Specific Recommendations 2016</u> SGP: CSR 1 MIP: -	<u>Assessment of implementation of CSR 2016</u> (COM Country Report, February 2017)
	<p>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.</p>	<p>The Commission evaluated CSR 1 implementation in its Assessment of the 2016 Stability Programme for Malta (May 2016) without explicitly referring to the assessment grid used for other CSRs:</p> <p><i>“ [...] , the overall assessment points to a risk of some deviation from the adjustment path towards the MTO over 2015 and 2016 taken together.”</i> (p. 21)</p>	<p>1. In view of the high risk of a significant deviation, achieve an annual fiscal adjustment of 0,6 % of GDP towards the medium-term budgetary objective in 2016 and in 2017, by taking the necessary structural measures. Step up measures to ensure the long-term sustainability of public finances.</p>	<p>Limited progress (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact).</p> <p>Malta has made limited progress in improving the sustainability of public finances. The Draft Budgetary Plan reports on the initiatives to address the fiscal structural country specific recommendations, although no new elements are reported compared to the situation in spring. In particular, in the area of pension reform, some measures were introduced already with the 2016 budget, targeted at addressing sustainability and adequacy. A full assessment of the budgetary impact is still missing, but initial assessments show that measures to achieve sustainability are not yet as ambitious as to respond to the long term challenges. In addition, the 2017 budget introduced a number of new measures targeted at increasing pension income. Policy action to improve the sustainability of the healthcare system is ongoing. However, it is uncertain whether these measures are sufficient to cope with the challenge of long-term sustainability. An estimate of their potential impact to be incorporated into the long-term budgetary projections is still missing.</p>
	<p>2. Take measures to improve basic skills and further reduce early school-leaving by promoting the continuous professional development of teachers.</p>	<p>Some progress:</p> <p>Malta has made some progress in promoting the continuous professional development of teachers.</p> <p>An institute for continuous professional development of teachers was set up.</p>	<p>2. Take measures to strengthen labour supply, in particular through increased participation of low-skilled persons in lifelong learning.</p>	<p>Some progress:</p> <p>Malta has made some progress in strengthening labour supply by improving access and participation in lifelong learning, with a focus on the low-skilled. The National Lifelong Learning Strategy is under implementation, with relevant upskilling and reskilling initiatives. Literacy, numeracy and IT courses are offered in the</p>

				community, including through cooperation with Local Councils and LEAP centres. () Free of charge revision classes are provided to those who failed or were absent for their examination. Besides the Alternative Learning Programme, two other programmes are offered to students who at the end of compulsory education acquire no or minimum qualifications: 'Youth Inc.' and 'GEM16+'. Malta is working to increase access to second chance education for those with no formal secondary education certificate, through the Malta College of Arts, Science and Technology (MCAST). In 2016 a programme called Skills Kits which offers more flexible and customised pathways was launched. Counselling and orientation is provided for students in education through VET and higher education. In addition services are available to unemployed within Public Employment Services. However, less attention is given to those already in employment.
	3. To ensure the long-term sustainability of public finances, continue the ongoing pension reform, such as by accelerating the already enacted increase in the statutory retirement age and by consecutively linking it to changes in life expectancy.	Limited progress: Malta has made <u>limited progress</u> 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.	<i>See CSR 1 (long-term sustainability of public finances)</i>	

	<p>4. Improve small and micro-enterprises' access to finance, in particular through non-bank instruments.</p>	<p>Some progress:</p> <p>Malta has made <u>some progress</u> 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.</p>		
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 NL	<u>Country Specific Recommendations 2015</u> SGP: - MIP: CSR 1, 2, 3	<u>Assessment of implementation of CSR 2015</u> (COM Country Report, February 2016)	<u>Country Specific Recommendations 2016</u> SGP: CSR 1 MIP: CSR 3	<u>Assessment of implementation of CSR 2016</u> (COM Country Report, February 2017)
	<p>1. Shift public expenditure towards supporting investment in R&D and work on framework conditions for improving private R&D expenditure in order to counter the declining trend in public R&D expenditure and increase the potential for economic growth.</p>	<p>Limited progress:</p> <p>Limited progress in shifting public expenditure towards supporting investment in R&D and improving framework conditions for private R&D. In 2016, the WBSO tax credit (for R&D wage costs) and the R&D allowance (RDA, for other R&D costs) will be merged and increased. The government has decided to drop a planned cut in the WBSO tax credit of EUR 110 million. However, despite these measures, total public support for R&D and innovation will continue its decline in the longer run.</p>	<p>1. Limit the deviation from the medium-term budgetary objective in 2016 and achieve an annual fiscal adjustment of 0,6 % of GDP in 2017. Prioritise public expenditure towards supporting more investment in research and development.</p>	<p>No progress in addressing the fiscal-structural part of CSR 1 (This overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact)</p> <p>No progress has been made in prioritising public expenditure towards supporting more investment in research and development.</p>
	<p>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.</p>	<p>Some progress</p> <p>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.</p> <p>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.</p> <p>Substantial progress on relating rents to household income, as the Housing Act (Woningwet) entered into force in July 2015 and the rental sum approach will be implemented in 2017. Nevertheless, progress on tackling the number of tenants above the income threshold for social housing is very small and waiting lists have not been reduced.</p>	<p><i>See CSR 3 (mortgage interest tax deductibility)</i></p>	


<p>3. Reduce the level of contributions to the second pillar of the pension system for those in the early years of working life.</p>		<p>Limited progress:</p> <p><u>Limited progress</u> 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.</p>	<p>3. Take measures to make the second pillar of the pension system more transparent, inter-generationally fairer and more resilient to shocks. Take measures to reduce the remaining distortions in the housing market and the debt bias for households, in particular by decreasing mortgage interest tax deductibility.</p>	<p>Limited progress:</p> <p><u>Limited progress:</u> With the Perspectives Memorandum, the government announced its ambition to reform the second pillar of the pensions system, but the development and the implementation of a reform is left to the next government. This points to limited progress.</p> <p><u>No progress</u> has been made regarding the distortions in the housing market, since no additional reforms have been implemented and the mortgage interest tax deductibility has not been reduced further.</p>
			<p>2. Tackle remaining barriers to hiring staff on permanent contracts and facilitate the transition from temporary to permanent contracts. Address the high increase in self-employed without employees, including by reducing tax distortions favouring self-employment, without compromising entrepreneurship, and by promoting access of the self-employed to affordable social protection.</p>	<p>Limited progress:</p> <p><u>No (further) progress</u> has been made in tackling remaining barriers to hiring staff or in facilitating transition from temporary to permanent contracts.</p> <p><u>No progress</u> has been made in reducing tax distortions favouring self-employment or increasing the social protection coverage of self-employed.</p> <p><u>Limited progress</u> has been made in addressing the increase in using self-employed without employees. With the Employment Relationships Deregulation Act (Wet DBA) the Netherlands have implemented a mechanism that reduces the incentives for employers to replace employees by bogus self-employed. But the enforcement of this law has recently been postponed until at least the beginning of 2018.</p> <p>In the Perspectives Memorandum the government developed a vision for a possible reform of the pension system that may also include the coverage of self-employed under the second pillar of the pension system on a voluntary basis.</p>

AT 	<u>Country Specific Recommendations 2015</u> SGP: CSR 1 MIP: -	<u>Assessment of implementation of CSR 2015</u> (COM Country Report, February 2016)	<u>Country Specific Recommendations 2016</u> SGP: CSR 1 MIP: -	<u>Assessment of implementation of CSR 2016</u> (COM Country Report, February 2017)
	<p>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.</p>	<p>Limited progress (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact):</p> <p>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.</p> <p>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).</p> <p>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.</p> <p>No progress in the earlier harmonisation of the statutory retirement age for men and women.</p> <p>No progress in linking the statutory retirement age to life expectancy.</p>	<p>1. Ensure that the deviation from the medium-term budgetary objective in 2016 and in 2017 is limited to the allowance linked to the budgetary impact of the exceptional inflow of refugees in 2015, and to that effect achieve an annual fiscal adjustment of 0,3 % of GDP in 2017 unless the medium-term budgetary objective is respected with a lower effort. Ensure the sustainability of the healthcare system, and of the pension system by linking the statutory pension age to life expectancy. Simplify, rationalise and streamline fiscal relations and responsibilities across the various layers of government.</p>	<p>Some progress (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact):</p> <p>The compliance assessment with the Stability and Growth Pact will be included in Spring when final data for 2016 will be available.</p> <p>Some progress can be reported in ensuring the sustainability of the healthcare system. The 2017 financial equalisation law has set more stringent expenditure targets. The provision of outpatient care has been strengthened by the creation of a new legal framework for multi-disciplinary primary care centres with an earmarked budget. Incentives for hospitals to treat outpatient cases as inpatient cases have been reduced.</p> <p>Limited progress in ensuring the long-term sustainability of the pension system, as financial incentives for working beyond the statutory retirement age are likely to marginally increase the effective retirement age.</p> <p>No progress has been made in addressing CSR 1 on increasing the sustainability of the pension system by linking the statutory retirement age to life expectancy. The Austrian government has no intention to take measures establishing a link between the statutory retirement age and life expectancy.</p> <p>Some progress in simplifying, rationalising and streamlining fiscal relations and responsibilities across the various layers of government. The 2017 financial equalisation law implemented a</p>

				few steps to increase the tax autonomy of sub-national governments, even if the misalignment between revenue-raising powers and spending responsibilities remains high. The system of inter-government transfers has been slightly simplified, while the revenue-sharing system has been made more task-orientation. The efficiency and adaptability of the fiscal framework has been improved with the introduction of the legal basis for regular spending reviews and a system of benchmarks. The different government subsectors have committed to a reform of their respective competencies.
	<p>2. Strengthen measures to increase the labour market participation of older workers and women, including by improving the provision of childcare and long-term care services. Take steps to improve the educational achievement of disadvantaged young people.</p>	<p>Limited progress:</p> <p><u>Some progress</u> 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.</p> <p><u>Limited progress</u> 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.</p> <p><u>Limited progress</u> in increasing the labour market participation of women by providing long-term care facilities that are compatible with full-time employment.</p> <p><u>Limited progress</u> 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</p>	<p>2. Improve the labour market participation of women. Take steps to improve the educational achievements of disadvantaged young people, in particular those from a migrant background.</p>	<p>Some progress:</p> <p><u>Some progress</u> can be reported regarding increasing childcare infrastructure and services. The right for part-time workers of a business to receive information about full-time job offers has been implemented. Awareness-raising of the advantages and disadvantages of full-time and part-time employment has been enforced. Overall the increasing labour market participation of women is mainly based on part-time employment. No new measures have been taken to substantially increase full-time employment of women.</p> <p><u>Some progress</u> in addressing the need to improve the educational achievements of disadvantaged young people, in particular those from a migrant background. This progress takes the form of the step-by-step implementation of the education reform agreed in September 2015 which allocates EUR 750 million for expanding the number of all-day schools over the next 6 years. Reform measures in early childhood education and care and primary schools have already been implemented. Measures to increase schools' autonomy and improve task distribution between the federal level and the regions are planned for adoption before April 2017.</p>


		compulsory education and early childhood education. The recent reforms do not address early tracking (ability grouping) from the age of 10.		However, these measures have not yet had an impact on education outcomes.
	3. Remove disproportionate barriers for service providers and impediments to setting up interdisciplinary companies.	<p>Limited progress:</p> <p>Limited progress in removing disproportionate barriers for service providers and impediments to setting up interdisciplinary companies. Austria has been assessing the proportionality of its 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 multi-disciplinary 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.</p>	3. Reduce, in the area of services, administrative and regulatory barriers for investments, such as restrictive authorisation requirements and restrictions on legal form and shareholding, and impediments to setting up interdisciplinary companies.	<p>Limited progress:</p> <p>Limited progress: Austria presented a draft revision of the trade licence act (Gewerbeordnung) in November 2016. This revision removes access barriers for 19 trades (Teilgewerbe), abolishes the initial registration fee and increases the scope for performing side activities without an additional licence (15-30 % instead of currently around 10 %). The high number of regulated trades (reglementierte Gewerbe) remains unchanged, however, and the law still requires separate licences for each of the 459 free trades (freie Gewerbe). Austria is also simplifying the procedure for authorising installations on business premises (Betriebsanlagen). Low-risk installations will benefit from a simplified procedure, deadlines for granting authorisations will be shortened, a one-stop shop for different types of permits will be created and publication requirements will be reduced. As regards other restrictions on access to and exercise of the regulated professions, only relatively minor changes have been implemented.</p> <p>No progress: Efforts which were started in November 2015 to remove restrictions on interdisciplinary companies have subsequently been discontinued.</p>

	<p>4. Address the potential vulnerabilities of the financial sector in terms of foreign exposure and insufficient asset quality.</p>	<p>Some progress:</p> <p><u>Some progress</u> 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.</p>		
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PL 	<u>Country Specific Recommendations 2015</u> SGP: CSR 1 MIP: -	<u>Assessment of implementation of CSR 2015</u> (COM Country Report, February 2016)	<u>Country Specific Recommendations 2016</u> SGP: CSR 1 MIP: -	<u>Assessment of implementation of CSR 2016</u> (COM Country Report, February 2017)
	<p>1. Following the correction of the excessive deficit, achieve a fiscal adjustment of 0,5 % of GDP towards the medium-term budgetary objective both in 2015 and 2016. Establish an independent fiscal council. Broaden the tax base, in particular by limiting the use of the extensive system of reduced VAT rates.</p>	<p>No progress (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact):</p> <p><u>No progress</u> has been made regarding the fiscal council.</p> <p><u>No progress</u> has been made on VAT rates.</p>	<p>1. Achieve an annual fiscal adjustment of 0,5 % of GDP towards the medium-term budgetary objective in 2016 and in 2017. Strengthen the fiscal framework, including by establishing an independent fiscal council. Improve tax collection by ensuring better VAT compliance, and limit the extensive use of reduced VAT rates.</p>	<p>Limited progress (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact):</p> <p>The compliance assessment with the Stability and Growth Pact will be included in spring when final data for 2016 will be available.</p> <p><u>No progress</u> has been made on establishing a fiscal council. The authorities do not envisage implementing one.</p> <p><u>Some progress</u> was made in improving tax collection. Several measures aimed at fighting tax fraud in the fuel sector entered into force in 2016. They are followed by a large amendment of the VAT law that entered into force in 2017. A new National Revenue Administration will become operational in March 2017. In contrast, no progress was made on limiting the extensive use of reduced VAT rates.</p>
	<p>2. 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.</p>	<p>No progress:</p> <p><u>No progress</u> in aligning the pension arrangements for farmers and miners with those for other workers.</p> <p><u>No progress</u> in putting in place a system for assessing and recording farmers' incomes.</p>	<p>2. Ensure the sustainability and adequacy of the pension system and increase participation in the labour market, by starting to reform the preferential pension arrangements, removing obstacles to more permanent types of employment and improving the labour market-relevance of education and training.</p>	<p>No progress:</p> <p><u>No progress</u> in ensuring the sustainability and adequacy of the pension system. Contrary to the CSR, a lowering of the statutory retirement age has been voted in and will enter into force as of October 2017. In the longer term, it will worsen sustainability and adequacy of the pension system. No progress in reforming the preferential pension arrangements, although there are plans to review them with a view to reform them (including those for farmers and miners).</p> <p><u>No progress</u> in increased participation in the labour market. Some measures undertaken so far</p>

				<p>seem to go in the opposite direction. In particular, lowering the statutory retirement age and the new child benefit could have adverse effects on the labour market participation. Limited progress in removing obstacles to more permanent types of employment. Despite measures taken to reduce segmentation, the use of open-ended contracts is still discouraged by a number of obstacles. To address this, two codification committees were set up to prepare new draft individual and collective Labour Codes by early 2018. Limited progress in improving the labour market-relevance of education and training. The reforms of the higher education system seem to be going in the right direction, but the changes in general education could go in the opposite direction.</p>
	<p>3. Take measures to reduce the excessive use of temporary and civil law contracts in the labour market.</p>	<p>Some progress:</p> <p>An amendment to the Labour Code has been adopted and social security contributions connected with civil law contracts have been increased.</p>		
	<p>4. Remove obstacles to investment in railway projects.</p>	<p>Limited progress:</p> <p>In September 2015 the National Rail Programme 2023 was adopted. An 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;</p>	<p>3. Take measures to remove obstacles to investment in transport, construction and energy infrastructure, and increase the coverage of spatial planning at local level.</p>	<p>Limited progress:</p> <p>Limited progress in removing obstacles to investment in infrastructure. Despite the 2016 amendment to the rail transport law simplifying some investments procedures and enabling their faster implementation, its scope is rather limited and the observed progress with investments on the ground throughout the year has been very slow. In renewable power generation infrastructure, the situation worsened in 2016, as a result of the new law on investment in on-shore wind installations and long-delayed revision of the Renewable Energy Law.</p> <p>Limited progress in simplifying construction permitting and rationalising spatial planning at the local level. Construction permits were practically abolished for constructing private</p>

				<p>houses and other smaller structures, though they are still required for other construction projects. The newly drafted Construction Code contains elements related to spatial planning and aimed at improving the current system, like: consolidating old legislation on spatial planning and construction permitting, streamlining procedures into a single investment decision, reinforcing the role of municipal studies on territorial development and making more stringent the conditions, under which new developments could take place in the absence of the spatial development plan.</p>
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PT 	<u>Country Specific Recommendations 2015</u> SGP: CSR 1 MIP: CSR 1, 2, 3, 4	<u>Assessment of implementation of CSR 2015</u> (COM Country Report, February 2016)	<u>Country Specific Recommendations 2016</u> SGP: CSR 1 MIP: CSR 1, 2, 3, 4, 5	<u>Assessment of implementation of CSR 2016</u> (COM Country Report, February 2017)
	<p>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.</p>	<p>Some progress (this overall assessment of CSR 1 excludes an assessment of compliance with the Stability and Growth Pact):</p> <p>There has been <u>some progress</u> 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.</p> <p>There has been <u>some progress</u> 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.</p> <p>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 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.</p>	<p>1. Ensure a durable correction of the excessive deficit, in accordance with the relevant decisions or recommendations under the excessive deficit procedure, by taking the necessary structural measures and by using all windfall gains for deficit and debt reduction. Thereafter, achieve an annual fiscal adjustment of at least 0,6 % of GDP. Conduct, by February 2017, a comprehensive expenditure review and strengthen expenditure control, cost effectiveness and adequate budgeting at all levels of public administration. Ensure the long-term sustainability of the health sector, without compromising access to primary healthcare. Reduce the reliance of the pension system on budgetary transfers. By the end of 2016, refocus ongoing restructuring plans of state-owned enterprises.</p>	<p>Limited progress (this excludes an assessment of compliance with the Stability and Growth Pact).</p> <p>The compliance assessment with the Stability and Growth Pact will be included in Spring when final data for 2016 will be available.</p> <p><u>Some progress</u> in conducting a comprehensive expenditure review. The authorities have started a spending review exercise, mainly based on efficiency measures that involve the health and education ministries; state-owned enterprises and (centralised) public procurement and real estate management). This spending review still falls short of a comprehensive approach since its scope only covers the central government and focused on efficiency savings stemming from streamlining services.</p> <p><u>Some progress</u> in ensuring the long-term sustainability of the healthcare sector. As Portugal is expected to have the highest increase in healthcare costs in the EU by 2060, more efforts for cost compression should be pursued including by integrating primary care, hospital services and continuous care. However, health care prevention and access to primary health care have been improved which will definitely help Portugal meet the long term challenges facing its health care sector, Nonetheless, the increase stock of arrears adds strain to the system's fiscal sustainability in the short-term.</p> <p><u>Limited progress</u> in reducing the reliance of pension system on budgetary transfers. The draft budget for 2017 includes the earmarking of a</p>

	<p>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.</p> <p>There has been some progress on improving tax compliance and making the tax administration more efficient. The planned integration of local tax offices into the Aproximar programme is under way. Measures are being taken to combat tax fraud in the housing market, improve arrangements for sharing information with financial institutions, and strengthen Portugal's anti-money-laundering framework.</p>		<p>new progressive tax on real estate portfolios (on top of the IMI) to the social security's Financial Stabilization Fund (worth EUR 160 million in 2017 according to the 2017 draft budgetary plan 2017). Although this earmarking is being presented by the government as an alternative to the excessive reliance on classical budgetary transfers, this does not address the expenditure side of the pension system sustainability.</p> <p>No progress in refocusing restructuring plans of state-owned enterprises. In terms of their operational performance state-owned enterprises fared well in 2016, as shown by their positive EBIDTA (earnings before interest, tax, depreciation and amortization). However, indebtedness remains very high resulting in persistent negative net income. The government so far has not presented any concrete measures to significantly restructure state-owned enterprises.</p>
<p>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.</p>	<p>Some progress:</p> <p>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.</p> <p>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</p>	<p>2. In consultation with social partners, ensure that the minimum wage is consistent with the objectives of promoting employment and competitiveness across sectors.</p>	<p>Limited progress:</p> <p>Limited progress in ensuring that the minimum wage is consistent with promotion of employment and competitiveness. The minimum wage was raised most recently in January 2017, from EUR 530 to EUR 557 i.e. above expected inflation and average productivity increases. While increasing aggregate demand and reducing in-work poverty, in a context of low inflation and high unemployment, continued increases in the minimum wage above productivity might put upward pressures on the overall wage structure, with the risk of affecting employment and competitiveness perspectives. The government established a structure to</p>


		high unemployment, putting upward pressures on the overall wage structure with the risk of affecting employment and competitiveness perspectives.		monitor the impact of minimum wage developments, through quarterly reports which are published and discussed with social partners.
	<p>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.</p>	<p>Some progress:</p> <p><u>Some progress</u> 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.</p> <p><u>Some progress</u> 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.</p> <p>There has been <u>some progress</u> in ensuring adequate coverage of social assistance, in particular 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.</p>	<p>3. Ensure the effective activation of the long-term unemployed and improve the coordination between employment and social services. Strengthen incentives for firms to hire through permanent contracts.</p>	<p>Some progress:</p> <p><u>Limited progress</u> in ensuring effective activation of long-term unemployed and in improving coordination between employment and social services. The rate of long-term unemployment remains one of the highest in the EU, despite active labour market measures targeted at long-term unemployed which have been developed in recent years. To address this, the government produced an assessment of active labour market policies. However, no specific measures targeted at integrating the long-term unemployed into the labour market have been adopted since then. The public employment service's planned increased use of online platforms instead of face-to-face-services should enable staff to focus on more personalised services for the long-term unemployed. As part of the ongoing administrative simplification process, one-stop shops for the long-term unemployed are being developed, although this initiative has not yet reached the implementation phase.</p> <p><u>Some progress</u> in strengthening incentives for firms to hire through permanent contracts. The Government redesigned its employment support programme to promote hiring on open-ended contracts while restricting the financial support for temporary contracts to specific cases such as the very long-term unemployed. However, the expected impact of the new measure in reducing segmentation is limited in view of the low number of people to be covered.</p>

	<p>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.</p>	<p>Some progress:</p> <p><u>Some progress</u> 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.</p>	<p>4. Take measures, by October 2016, to facilitate the cleaning up of the balance sheets of credit institutions and address the high level of non-performing loans. Reduce the debt bias in corporate taxation and improve the access to finance for start-ups and small and medium-sized enterprises via the capital market.</p>	<p>Limited progress:</p> <p><u>Limited progress</u> in facilitating the clean-up of credit institutions' balance sheets and addressing the high level of non-performing loans.</p> <p>By Resolution of the Council of Ministers N. 42/2016 of 18 August 2016, the government approved the Capitalizar Programme. Under the programme's "corporate restructuring" strand, the government intends to improve existing mechanisms for restructuring the balance of viable economic enterprises and the recovery of credits. The government is also taking action to revise its insolvency regime through the following: mechanisms to control the access to the PER (implementation period: first quarter of 2017); access of judicial administrators to the Citius dataset, the IT system to support the activities of the courts) (fully implemented); the right of judicial administrators to directly access the various databases (implementation planned for the first quarter of 2017); creation of electronic certificates (expected to be implemented in the first quarter of 2017); possibility of exemption from holding a meeting of creditors; changes to the legal framework to the new registration rules on cross-border insolvencies and interconnection of registries.</p> <p>The tax law has been changed to remove disincentives to write-off. The central bank is conducting additional supervisory work, including by assessing banks' capability to manage non-performing loans. The central bank is also providing guidance to banks on how to screen different types of non-performing loans, and how to manage them. They are also considering an external servicing of loans, although the details have not been provided as to whether this would entail the creation of a market of distressed assets. Overall, a comprehensive strategy appears to be lacking.</p>
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				<p><u>Some progress</u> in reducing the debt bias in corporate taxation. The 2017 draft budgetary plan includes broadening the scope of the allowance for corporate equity (ACE) regime. The regime now applies to all companies (previously it applied only to small and medium-sized enterprises) and shareholders (not only individuals and venture capital investors). In addition, the allowance has been increased from 5 % during 4 years to 7 % during 6 years.</p> <p><u>Limited progress</u> in improving the access to finance for start-ups and small and medium-sized enterprises via the capital market. Under the Capitalizar Programme, the government has put forward measures to ease businesses' financing needs. A new credit line with a mutual guarantee has been made available and will allow financing to companies of more than EUR 1 billion in financing for companies. In parallel, the government has put in place another programme (Programa Semente) to finance for start ups and small enterprises in their early stages (seed capital), helping them to raise equity finance by offering tax reliefs, for at least two years, to individual investors who purchase new shares in such companies, These programmes are expected to improve the financing of companies in Portugal, provided that they are swiftly and fully implemented.</p>
5. Accelerate measures and increase transparency as regards concessions, including in the transport sector, and private-public partnerships at local and regional level.	<p>Limited progress:</p> <p><u>Limited progress</u> 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</p>	5. Increase transparency and efficiency in public procurement as regards public-private partnerships and concessions. By the end of 2016, improve and accelerate administrative and licensing procedures, accelerate tax litigations and reduce regulatory barriers , especially in business services. Incentivise cooperation between universities and the business sector.	<p>Some progress:</p> <p><u>Some progress</u> in increasing transparency in public procurement. Transparency and reliability of public procurement data is improving. The institute for Monitoring Public Procurement (IMPIC) is moving from a case by case approach on correcting data in BASE to a more systematic and automated system. Access to procurement data by control and prosecution authorities is not automatic, because of the legal framework on data protection, which hampers efficient checks and investigations. By Decree N. 18/2016, the</p>	

		<p>does not empower UTAP, the Ministry 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.</p>		<p>government has established quarterly monitoring and reporting procedures related for local and regional public private partnerships and concessions. The use of direct awards remains high and there are weaknesses in the tender procedures due to: (i) insufficient justification underpinning the recourse to direct awards; (ii) splitting of contracts; (iii) lack of capacity and professionalization an (iv) limited checks.</p> <p><u>Limited progress</u> in improving and accelerating licensing procedures by the end of 2016. The SIMPLEX + initiative includes some cross cutting simplification measures, yet to be implemented, but progress in enhancing the business environment has largely stalled in relation to sector specific regulation.</p> <p><u>Some progress</u> in accelerating tax litigations by the end of 2016. The Tax Administration has drawn up a multiannual plan to combat fraud, improve tax collection and simplify tax procedures. The 2017 draft budgetary plan introduced provisions for the tax authorities to: reduce response time for issuing binding rulings (Autoridade Tributária) to a maximum of 75 days in all urgent requests, significantly reduce the deadline for urgent requests; also, assess the possibility of reducing the costs of urgent binding ruling. Despite these efforts, the tax courts' clearance rate remains low.</p> <p><u>Limited progress</u> in reducing regulatory barriers especially in business services by the end of 2016. Previous reform efforts targeting the most restrictive business services, including regulated professions, were halted and, in some cases, reversed. Restrictions on corporate groups for professional firms and restrictive regulation of legal professions (legal form, shareholding, management, multidisciplinary, advertising restrictions) set to remain in place.</p>
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				<p><u>Some progress</u> in incentivising cooperation between universities and the business sector. New initiatives announced include the creation of collaborative laboratories, technological centres for engineering activities and new business innovation contracts. The government is currently preparing a revision of the Higher Education system. The new programme to modernise and revamp polytechnic institutes focuses on matching both R&D activities and dual VET programmes (CTeSPs) with regional needs. The Innovation Agency (ANI) is working to increase knowledge and collaborative innovation and has identified further potential players to bring into the innovation eco-system (including businesses and research organizations). It is also pushing for more collaboration as a priority for further action. However, there is no overall comprehensive strategy to foster cooperation between universities and the business sector: cooperation still relies mostly on isolated initiatives from specific universities or businesses.</p>
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	<u>Country Specific Recommendations 2015</u> SGP: CSR 2 MIP: CSR 1, 2, 3, 4	<u>Assessment of implementation of CSR 2015</u> (COM Country Report, February 2016)	<u>Country Specific Recommendations 2016</u> SGP: CSR 1 MIP: -	<u>Assessment of implementation of CSR 2016</u> (COM Country Report, February 2017)
	1. Take all the necessary measures to complete the financial assistance programme.	No progress: Romania made no progress 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.		
	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. Implement the comprehensive tax compliance strategy, strengthen verification control systems in order to tackle undeclared work, and push ahead with the equalisation of the pensionable age for men and women.	Limited progress (this overall assessment of CSR 2 does not include an assessment of compliance with the Stability and Growth Pact): Romania made full progress 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 no progress in remaining at the medium-term 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 limited progress 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	1. Limit the deviation from the medium-term budgetary objective in 2016 and achieve an annual fiscal adjustment of 0,5 % of GDP in 2017 unless the medium-term budgetary objective is respected with a lower effort. Ensure the application of the fiscal framework and strengthen further tax compliance and collection. Ensure that legislative initiatives do not undermine legal certainty and do not put at risk financial stability. If necessary, adopt measures that mitigate such risks.	Limited progress (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact). CSRs related to compliance with the Stability and Growth Pact will be assessed in spring once the final data are available. There was no progress on ensuring the application of the fiscal framework. The 2016 budget does not comply with the deficit rule, which contains the obligation to comply with the MTO; as in previous years, the authorities did not send an update of the fiscal strategy to Parliament by the statutory deadline of 15 August. Limited progress. There are slight improvements with regard to the compliance ratios for tax declarations and payments for both natural persons and companies compared to the previous year. The tax administration (ANAF) and Labour inspection maintained their efforts in terms of inspections and audits, yet the results are not better compared to last year. ANAF introduced also an audience with the applicant as

	<p>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.</p> <p>Romania made no progress 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.</p>		<p>an additional step before issuing the final decision with regard to the VAT registration. The legislation for the registration and deregistration for VAT purposes has been modified and clarified again and the procedures for VAT reimbursement were adapted, respectively, in the course of 2016. The mandatory but progressive introduction of electronic cash-register connected to the National Agency for Fiscal Administration (ANAF) IT system is pursued, but further delays to the official deadlines were introduced. To tackle sectorial tax evasion, a special annual income tax will replace corporate income tax in specific business areas, such as accommodation services and bars/ restaurants, from 2017. Irrespective of the sales or the net profits of the business, the tax to be paid will be computed based on coefficients, such as the surface of premises, the seasonality or the location of the business. Moreover, as of 2017, self-employed and family businesses will be limited to the number of business activities they can perform and in the number of persons they can employ.</p> <p>Some progress was made on safeguarding financial stability. The law on debt discharge ("datio in solutum") was promulgated with retroactive application, but a recent decision of the Constitutional Court has mitigated some of the potential risks on financial stability. The CHF-denominated loan conversion law adopted by Parliament may put strain on several banks. However, before its enactment, the law was sent to the Constitutional Court for a constitutional check.</p>
<p>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</p>	<p>Limited progress.</p> <p>Romania made limited progress 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</p>	<p>2. Strengthen the National Employment Agency's services to employers and jobseekers, in particular by tailoring services to jobseeker profiles, better linking them with social assistance, including social services, and</p>	<p>Some progress:</p> <p>Substantial progress was made in strengthening the National Employment Agency's (NEA) services. The NEA is undergoing a major change process reflected in a strategy and including 1) establishing for the</p>

	<p>consultation with the social partners and in accordance with national practices, clear guidelines for setting the minimum wage transparently. Introduce the minimum insertion income. Increase the provision and quality of early childhood education and care, in particular for Roma. Adopt the national strategy to reduce early school leaving. Pursue the national health strategy 2014-2020 to remedy issues of poor accessibility, low funding and inefficient resources.</p>	<p>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. 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.</p> <p>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</p>	<p>reaching out to unregistered young people. Establish, in consultation with social partners, objective criteria for setting the minimum wage. Take action to prevent early school leaving and increase the provision of quality education, in particular among Roma. Adopt the equalisation of the pension age for men and women.</p>	<p>first time an initial profiling and segmentation process, which became a working procedure and legislation in October 2016 (most of the people in NEA database have already been profiled); 2) Adoption of a catalogue of services, for the first time bringing together the service offer of the organisation towards jobseekers and towards employers; 3) Reinforcement of case management capacity - pilot project developed in October/November; to be up-scaled through the ESF; 4) Setting up an integrated approach to NEETs outreach, including a substantial increase in agency staff for the delivery of the Youth Guarantee- to be rolled out. The Youth Guarantee has so far only partially reached young NEETs. The NEA also plans to reinforce its capacity to strengthen its services for employers. The active labour market policies have been revised to provide more incentives for take up and several disadvantaged groups benefit for the first time from some ALMPs. A national mobility plan aims to improve the internal mobility. As regards linking employment with social services, a pilot project, financed with EU funds, will be rolled out. This would target 100 deprived communities and would set up integrated teams that include social assistants, community health assistants/mediators and education counsellors/mediators. In the long run, these integrated teams are supposed to be scaled up at national level, in over 500 deprived communities. A common order of the ministers for Labour, Education and Health establishes the working methods of integrated teams. Special advisers dealing with disadvantaged groups are proposed to be hired in the Public employment service and would make the link with social services and integrated teams. The minimum inclusion income law increases the coverage and adequacy of social benefits and strengthens the provision of active labour market policies for Guaranteed Minimum Income beneficiaries. These reforms have the potential of tangible and</p>
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	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>lasting effects, but only if implemented and sustained over the longer term.</p> <p>Limited progress was made on minimum wage setting. In January 2016, the government set up a tripartite working group with the task of establishing an indexation mechanism that would make future minimum wage adjustments automatic. This group has commissioned a study to analyse all the economic and social aspects of the minimum wage in Romania. As a follow up to this and based on the results of the study, clear guidelines and criteria, endorsed by social partners are supposed to be established in the first quarter of 2017. However, the new government announced the increase of the minimum wage from 1 February 2017 and subsequent increases until 2020, despite tripartite ongoing work on a minimum wage setting mechanism.</p> <p>Some progress was made to tackle early school leaving and increase the provision of quality education. The situation for Roma inclusion in schools remains challenging. As a step on the implementation of the Early school Leaving Strategy, authorities have launched two national calls for proposals supported by the European Social Fund (approximately EUR 200 million) to tackle drop-out ('School for all') and improve the provision of quality education in disadvantaged schools ('Motivated teachers in disadvantaged schools'). These projects aim to address two of the main drivers of early school leaving, namely insufficient prevention measures and insufficient provision of quality education. 'School for All' seeks to finance a wide range of activities, including integrated interventions for students and their parents, after-school programmes, and scholarships. The second call specifically aims to increase teaching quality in disadvantaged schools, in particular for Roma and schools in rural areas. The projects are now in the</p>
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		<p>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 healthcare for people with low incomes.</p> <p>Romania made limited progress on remedying 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.</p>	<p>evaluation phase, with implementation expected to start the latest in September 2017. Therefore, the impact on reducing drop-outs or increasing teaching quality in disadvantaged school is yet to be seen. Other recent measures to tackle early school leaving include a warm meal pilot programme running in 50 schools, and full reimbursement of commuting costs for students from rural areas. The methodology for teachers' allowances was changed to include criteria on working with children at risk of drop-out (ministerial order from 22 December).</p> <p>To support the participation of poor children in pre-school education (empirically shown to prevent early school leaving) authorities are implementing the programme 'Every child in kindergarten' providing social vouchers on condition of attendance. To improve take-up, the application procedures were simplified. Although the number of beneficiary children who had not gone to kindergarten before is increasing, it remains relatively low (2 700 out of 67 000). Modernisation of the curricula for pre-school education is underway.</p> <p>To increase quality in education, authorities have also approved the curricular frameworks for lower secondary education (grades 5-8). The new curriculum is expected to enter into force in September for 5th graders. However, plans to reform the curricula high school education have been delayed.</p> <p>To increase managerial capacities in schools, a competition for school principals was organized, albeit allowing for some exceptions.</p> <p>Anti-segregation legislation was improved by expanding the criteria and strengthening the responsibilities of school inspectorates which is expected to lead to a more inclusive education in schools for Roma and other disadvantaged</p>
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				<p>groups. However, in the absence of monitoring criteria progress has yet to be seen. While a number of positive measures have been initiated, these are unlikely to be sufficient to address the challenge.</p> <p>No progress was made 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.</p>
	<p>4. Adopt the law on reforming corporate governance of state-owned enterprises.</p>	<p>Some progress:</p> <p>Romania made <u>some progress</u> 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.</p>	<p>3. Curb informal payments in the healthcare system and increase the availability of outpatient care.</p> <p>Strengthen the independence and transparency of human resources management in the public administration. Simplify administrative procedures for business and the public. Strengthen corporate governance of state-owned enterprises.</p>	<p>Some progress:</p> <p><u>Some progress</u> was made with curbing informal payments in the healthcare system. In line with the new National Anti-corruption Strategy for 2016-2020, legislation was adopted in November 2016 to revamp the existing patient feedback mechanism. In 2014, the Ministry of Health put in place a patient feedback form mechanism for reporting informal payments. Reporting under the mechanism was not reliable and is now being revamped. The National Anti-corruption Strategy for 2016-2020 adopted in August planned to revise the existing patient feedback mechanism to eliminate the involvement of medical units in the collection of information on patients' experience. Consequently, new legislative measures were adopted in November 2016 to empower patients, also addressing the role of ethics councils in public health units, and sanctions. In addition, the salaries of health professionals have been improved (Emergency Ordinance no. 20 of June 8, 2016 amending and supplementing Government Emergency Ordinance no. 57/2015 on the salaries of staff paid from public funds in 2016).</p> <p>Limited progress was made with increasing the availability of outpatient care. Some measures have been taken in this regard, but overall a shift to outpatient care is still at a very early stage to</p>

				<p>consider a substantial fulfilment of the recommendation. The Ministry of Health has developed regional healthcare plans that include a mapping of needs for infrastructure and services. The regional plans, together with the national health strategy, offer a good basis for the planning of investments from ESIF and other sources. The first monitoring report of the national health strategy has been published mid-2016, the second report being expected in February 2017. A Working Group has been created to address ambulatory care; it is announced that outpatients' centres will be developed in the context of the Regional Plans including a pilot project in the South-West region; on the other hand, on primary healthcare, the budget in 2016 has increased overall 5 % with higher increases (up to 15 %) for the expenditure per capita and the value of the points for service. Nonetheless, the shift to outpatient care is still at a very early stage. Likewise, the implementation of the World Bank's project Health Sector Reform including the target of strengthening ambulatory care is unsatisfactory (World Bank, 2016).</p> <p><u>Limited progress</u> was made in human resources management in the public administration. Strategies for Civil Service and Staff Training have been adopted, however the current legislative and institutional set-up makes it hard to effectively implement.</p> <p><u>Some progress</u> was made on the simplification of administrative procedures for business and the public. Measures taken in 2016 include emergency ordinance n. 41/2016 to simplify administrative procedures and facilitate relations between citizens and the public administration; and the adoption in November 2016 of first elements of a second legislative package, including emergency ordinance 84/2016 amending the Fiscal Procedure Code contains</p>
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				<p>also measures to simplify administrative procedures for businesses, including e.g. procedures to obtain a fiscal code, for the reactivation of inactive taxpayers, widening the use of remote means of payment (e.g. home banking, mobile banking) to pay taxes, wider provision of e-tools to pay taxes and some specific fee reductions; further development of the RIA framework; introduction of income tax exemptions for R&D tasks and activities, and clarification of tasks and activities exempt from income taxation for IT professionals; adoption of OUG 35/2016 for the modification and completion of the land registry law 7/1996, important both for agriculture and for infrastructure projects. The substantial measures taken in 2016 to increase transparency (public consultation and debates on draft legislation etc), are being reversed in 2017.</p> <p>Substantial progress was made in SOEs corporate governance. The bylaws supporting Law 111/2016 on SOEs corporate governance were adopted within the deadline, in October 2016. As Law 111/2016 applies to all SOEs, the Ministry of Finance started contacts with the larger local authorities to improve awareness of the new rules. The H1 2016 budget execution of SOEs under the central government was made public. However, the hiring of professional managers has not yet started raising concerns on the implementation of law 111/2016.</p>
			<p>4. Improve access to integrated public services, extend basic infrastructure and foster economic diversification, in particular in rural areas. Adopt and implement the transport master plan. Strengthen public investment project prioritisation and preparation.</p>	<p>Some progress:</p> <p>Despite delays, in 2016 there was some progress with the completion of action plans for ex-ante conditionality on health, transport, public procurement and RD&I. This has created a basis for strategic planning of future ESIF investments in infrastructure for public services and SMEs. However, the institutional and operational setup of ESIF programmes is still not completed and a few key ex-ante conditionality</p>

				<p>items are not yet fulfilled, creating a risk of further delays in implementation. 348 projects of a value of 252 million EUR (19% of allocation) for investments in rural infrastructure (roads, water supply/waste water systems, education and social infrastructure) have been contracted. In August 2016 the government further launched a comprehensive IT programme, developed jointly with the private sector, to increase the inter-operability across different levels of administration and the quality of public services (GovITHub). Some progress was made on improving access to integrated services in rural areas, marking a shift from benefits towards service provision. As part of a pilot project, integrated services will be introduced in around 100 most marginalised communities, through teams at community level, mostly in rural areas. When scaled up, it can produce substantial progress concerning the provision of integrated services. ESF calls at national level have been launched, covering disadvantaged communities, including in disadvantaged areas. A comprehensive set of measures was adopted in early 2016 aimed at improving living standards, stimulating productivity and economic diversification in the rural areas. A set of measures was adopted in 2016 aimed at increasing the wealth in rural areas and developing the rural middle class. The Rural Development Programme has started to be implemented. Additional 533 projects of a value of 49 MEUR (16% of allocation) for investments in diversification of economic activities and setting-up of non-agricultural activities in rural areas have been contracted. While there is progress on contracting, implementation of the projects on the ground is just starting. Romania still has to spend by 2023 around 1.2 BEUR for investments in rural infrastructure and 275 MEUR for diversification of rural economy.</p>
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				<p><u>Some progress.</u> The Transport Master Plan was adopted in September 2016. The Railway Reform Authority, set-up in October 2016 and expected to become fully operational by mid-2017, should take the necessary measures to make the operation of railway transport more efficient. To speed up of investments in road infrastructure, the government has also split the national authority in charge of road construction into two bodies, one for infrastructure investments (CNIR) and one for infrastructure administration (CNAIR). Performance contracts between the national companies and the Ministry of Transport are currently developed.</p> <p><u>Limited progress</u> was made with strengthening public investment project prioritisation and preparation. In August, a change to the ordinance 88 obliged the line ministries to take into account the public investment priority list in the budget preparation. However, no other steps have been made to enhance the role of the existing public investment prioritisation unit in the Ministry of Finance and to improve the prioritisation and preparation of all public investment projects.</p>
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<div>SI</div> 	<u>Country Specific Recommendations 2015</u> SGP: - MIP: CSR 1, 2, 3, 4	<u>Assessment of implementation of CSR 2015</u> (COM Country Report, February 2016)	<u>Country Specific Recommendations 2016</u> SGP: CSR 1 MIP: CSR 1, 3, 4	<u>Assessment of implementation of CSR 2016</u> (COM Country Report, February 2017)
	<p>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. By end of 2015, adopt a healthcare and long-term care reform.</p>	<p>Limited progress (this overall evaluation excludes an assessment of compliance with the Stability and Growth Pact):</p> <p>Some progress 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.</p> <p>Limited progress 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.</p> <p>Limited progress was made in advancing the healthcare reform. A comprehensive review of the health care system was completed. Based 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.</p> <p>Limited progress was made in advancing the long-term care reform. A draft law was due to enter public consultation in October 2015 but has</p>	<p>1. Following the correction of the excessive deficit, achieve an annual fiscal adjustment of 0,6 % of GDP towards the medium-term budgetary objective in 2016 and in 2017. Set a medium-term budgetary objective that respects the requirements of the Stability and Growth Pact. Strengthen the fiscal framework by appointing an independent fiscal council and amending the Public Finance Act. Complete and implement the reform of the long-term care and healthcare systems, making them more cost-efficient to ensure long-term sustainability of accessible and quality care. By the end of 2017, adopt the necessary measures to ensure the long-term sustainability and adequacy of the pension system.</p>	<p>Limited progress (this overall evaluation excludes an assessment of compliance with the Stability and Growth Pact).</p> <p>The compliance assessment with the Stability and Growth Pact will be included in Spring when final data for 2016 will be available.</p> <p>Limited progress was made regarding the fiscal framework. The revised Public Finance Act was adopted by the Parliament in December 2016, but the appointment of the Fiscal Council was further delayed. Following three unsuccessful public calls for applicants, the Government will have to restart an open call for applications to find members for the Fiscal Council.</p> <p>Limited progress was made regarding long-term care reform. The pilot project to determine long-term care needs and support proposed legislative solutions is being prepared.</p> <p>Some progress was made regarding healthcare reform. The proposed draft Health Care and Health Insurance Act, which is the central piece of the reform, has been put into public consultations in February 2017 and will be forwarded to the National Assembly in 2017. In December 2016, also the proposals to amend the Health Services Act and the Patient Rights Act were presented and the new Pharmacies Act was adopted.</p> <p>Limited progress has been made regarding the long-term sustainability and adequacy of pension system. The White Paper on pensions was adopted in April 2016 and has opened a</p>

		been postponed. Its final adoption will await the reform of healthcare as the latter needs to clarify the issue of financing.		wide public consultation on the future of the pension system. However, the White Paper on pensions is a non-legislative act that needs to be followed up with adoption of legislative acts, needed to address the 2016 CSR.
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: <u>Some progress</u> 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. <u>Some progress</u> 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 newly employed workers older than 55 were adopted in November 2015.	2. In consultation with social partners, increase the employability of low-skilled and older workers , including through targeted lifelong learning and activation measures.	Limited progress: <u>Limited progress</u> has been made. The analysis of the situation of older workers on the labour market has been adopted on 22 December 2016. While the spending on the active labour market policies stayed at the same level, the analysis of their effectiveness is under way. Active labour market policy measures targeting older workers still need to be intensified and the analysis of the effectiveness of active labour market policies is being prepared. It is also not yet clear what will be done as regards to lifelong learning.	
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.	Substantial progress: <u>Substantial progress</u> 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	3. Improve the financing conditions for creditworthy business, including by facilitating durable resolution of non-performing loans and access to alternative financing sources. Ensure the proper implementation of the bank asset management company strategy.	Some progress: <u>Some progress</u> has been made on reducing the level of non-performing loans. These loans continue to fall, but their level is still high. The Bank of Slovenia has implemented a number of measures that are giving banks incentives to reduce their non-performing loans sustainably. They have also shown a willingness to take part in the Structural Reforms Support Service projects, which should further help the process.	


	<p>implement an annual asset management plan and apply performance criteria.</p>	<p>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).</p> <p>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 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.</p> <p>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.</p> <p>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 well as a set of asset performance criteria. A new supervisory and management board in the SSH</p>		<p>Limited progress has been made regarding improving the financing conditions for creditworthy business by facilitating access to alternative financing sources. The Slovenian Enterprise Fund and the SID bank have introduced only new debt instruments for SMEs including measures such as microcredits. One scheme of seed capital (some EUR 3.9 million) was implemented in 2016 by the Slovenian Enterprise Fund and some 47 SMEs were supported. Other alternative financing instruments, including venture capital and equity are planned with use of ESIF</p> <p>Some progress has been made regarding the implementing of the Bank Asset Management Company's strategy.</p>
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		were appointed in July and October 2015, respectively.		
	<p>4. Ensure that the reforms adopted to improve the efficiency of civil justice help reduce the length of proceedings.</p>	<p>Some progress:</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>4. Take measures to modernise public administration and reduce the administrative burden on business. Improve the governance and the performance of state-owned enterprises.</p>	<p>Some progress:</p> <p>Some progress has been made regarding the modernisation of the public administration and regarding the reduction of the administrative burden. The implementation the public administration development strategy 2015-2020 is ongoing; however certain specific measures from this strategy have been substantially delayed (i.e. the adoption of the Civil Servants Act). The government programme for reducing the administrative burden is estimated to have created total savings of in total of EUR 365 million of savings between 2009 and 2015. The 9th progress report of the Single Document shows that more than half of 318 measures to reduce the administrative burden have been realised. The SME test was introduced on 1 June 2016 and is now obligatory for all new laws prepared under regular procedure but it is still too soon to assess its effects.</p> <p>Some progress has been made regarding the governance of state-owned enterprises (SOEs). The Slovenian Sovereign Holding (SSH) is managing SOEs in accordance with the regulatory framework in place. End-2015 results show an improved profitability of SOEs under SSH's management. An asset management plan for 2017, quantifying the performance indicators for each separate SOE and updating a list of assets for divestment has been approved by the government in January 2017. A procedure to appoint a new management board is underway, following the CEOs resignation as a result of pressures exerted on the SSH ahead of its initiative to replace the Port of Koper (Luka Koper) supervisory board.</p>

<div>SK</div> 	<u>Country Specific Recommendations 2015</u> SGP: - MIP: -	<u>Assessment of implementation of CSR 2015</u> (COM Country Report, February 2016)	<u>Country Specific Recommendations 2016</u> SGP: CSR 1 MIP: -	<u>Assessment of implementation of CSR 2016</u> (COM Country Report, February 2017)
	<p>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.</p>	<p>Some progress:</p> <p><u>Some progress</u> 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.</p> <p><u>Some progress</u> has been made to increase tax collection. The action plan to fight tax evasion was updated in 2015 and new measures announced.</p>	<p>1. Achieve an annual fiscal adjustment of 0,25 % of GDP towards the medium-term budgetary objective in 2016 and of 0,5 % of GDP in 2017. Improve the cost-effectiveness of the healthcare system. Take measures to increase tax compliance.</p>	<p>Limited progress (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth pact):</p> <p><u>Limited progress</u> has been made in improving the cost-effectiveness of the healthcare system: as a comprehensive spending review has identified major cost inefficiencies and potential cost savings, but these are not yet backed by concrete measures.</p> <p><u>Limited progress</u> has been made in improving tax compliance. While some measures have been launched and appear promising, the system as a whole remains too focused on control, with little attention paid to voluntary compliance.</p>
	<p>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.</p>	<p>Limited progress:</p> <p><u>Limited progress</u> 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.</p> <p><u>Some progress</u> has been achieved towards increasing the provision of training tailored to individual needs of jobseekers (e.g. through the RE-PAS project).</p> <p><u>No progress</u> has been made towards improving access to second-chance education.</p> <p><u>Some progress</u> 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</p>	<p>2. Improve activation measures for the long-term unemployed and other disadvantaged groups, including individualised services and targeted training. Facilitate the employment of women, in particular by extending the provision of affordable, quality childcare. Improve educational outcomes by making the teaching profession more attractive and by increasing the participation of Roma children from early childhood in mainstream education.</p>	<p>Some progress:</p> <p><u>Some progress</u> has been achieved in improving activation measures. An action plan on the integration of the long-term unemployed was adopted in late 2016 in order to address the lack of individualised services and training. However, its timely and adequate implementation will need to be monitored. No targeted efforts have been undertaken to help integrate Roma into the labour market.</p> <p><u>Some progress</u> has been identified in increasing the capacity of and access to early childhood education and care, particularly for the over-threes. For children under three, the number of private facilities has increased slightly but no progress has been made in setting up a legislative framework for childcare services.</p> <p><u>Limited progress</u> has been made in the educational dimension of the CSR. Some</p>

		no progress in setting up a legislative framework on childcare services.		measures have been taken in order to raise the attractiveness of the teaching profession. Substantial annual pay rises have been agreed or are planned for 2016 and 2017. The government aims to raise entry requirements for teaching and improve training. A reform to support socially and ethnically inclusive education, including of Roma pupils, entered into force in 2016, but effectively implementing the reform will require further efforts and political commitment.
	<p>3. Improve teacher training and the attractiveness of teaching as a profession to stem the decline in educational outcomes. Increase the participation of Roma children in mainstream education and in high-quality early childhood education.</p>	<p>Limited progress:</p> <p><u>No progress</u> was made in improving training of teachers.</p> <p><u>Limited progress</u> has been seen on improving the attractiveness of the teaching profession by increasing teachers' salary further by 4 % in 2016.along the increase for other public employees.</p> <p><u>Limited progress</u> has been made towards increasing the participation of Roma children in mainstream education and in high-quality early childhood education. The Desegregation legislation was adopted in 2015, but it still needs to be implemented.</p>	<p><i>See CSR 2 (attractiveness of teaching profession, Roma children participation in mainstream education)</i></p>	
	<p>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.</p>	<p>Limited progress:</p> <p><u>Some progress</u> 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.</p> <p><u>Limited progress</u> 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</p>	<p>3. Consolidate governance, reinforce the shift from price only to quality-based competition and improve the prosecution of illicit practices in public procurement. Improve the transparency, quality and effectiveness of human resources management in public administration, in particular by adopting a new civil service act, and the effectiveness of the justice system. Adopt a comprehensive plan to address administrative and regulatory barriers for businesses.</p>	<p>Limited progress:</p> <p><u>Limited progress</u> has been made in improving competition and fighting illicit practices in public procurement. While some initiatives for fostering quality-based procurement procedures have been launched, these are not yet systematic or concrete.</p> <p><u>Some progress</u> has been made in improving human resource management in public administration. While the new Civil Service Act has the potential to materially improve the situation, this will require determined implementation of the Act, which will be</p>


		disclose their ownership structure from participating in public tenders. The electronic contracting system for tenders above the EU thresholds is being prepared.		<p>applicable only from the second half of 2017 onwards.</p> <p><u>Limited progress</u> has been made towards improving the effectiveness of the justice system. Although the new government made this a key priority, the impact of new measures (some of which are still in draft) cannot be assessed yet.</p> <p><u>No progress</u> has been made in adopting a comprehensive plan to address administrative and regulatory barriers for businesses. In the 2016 national reform programme the Slovak government committed to adopt a corresponding long-term strategy, but the plan has not yet been formulated.</p>
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	<u>Country Specific Recommendations 2015</u> SGP: CSR 1 MIP: CSR 2, 3	<u>Assessment of implementation of CSR 2015</u> (COM Country Report, February 2016)	<u>Country Specific Recommendations 2016</u> SGP: CSR 1 MIP: CSR 2, 3	<u>Assessment of implementation of CSR 2016</u> (COM Country Report, February 2017)
	<p>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.</p>	<p>The Commission evaluated CSR 1 implementation in its Assessment of the 2016 Stability Programme for Finland (May 2016) without explicitly referring to the assessment grid used for other CSRs:</p> <p><i>“The overall assessment shows that there is a risk of some deviation from the adjustment path towards the MTO.”</i> (p. 18)</p>	<p>1. Achieve an annual fiscal adjustment of at least 0,5 % of GDP towards the medium-term budgetary objective in 2016 and 0,6 % in 2017. Use any windfall gains to accelerate the reduction of the general government debt ratio. Ensure timely adoption and implementation of the administrative reform with a view to better cost-effectiveness of social and healthcare services.</p>	<p>Some progress (this overall evaluation excludes an assessment of compliance with the Stability and Growth Pact).</p> <p>The compliance assessment with the Stability and Growth Pact will be included in Spring when final data for 2016 will be available.</p> <p>Some progress has been made on the adoption and implementation of the social and healthcare reform. The reform has been undertaken in order to ensure the continued access to the good quality services while ensuring the long-term sustainability of public finances. The government has prepared the first half of the draft legislation that is needed for the reform to take effect from 2019. The 27 draft laws have undergone a public consultation. Legislation regarding the freedom of choice for the citizens was not part of the public consultation. The work needs to continue, but thanks to the timely preparation of the legislation creating the new administrative structure, it can be concluded that there is some progress in implementing the recommendation.</p>
	<p>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.</p>	<p>Some progress:</p> <p>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.</p>	<p><i>See CSR 1 (implementation of administrative reforms)</i></p>	

		<p>Limited progress in ensuring 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. The government has announced its intentions regarding the health care and social services reform. Outline of the social and health care reform has been agreed, a legislative proposal may be available later in 2016. Until the details are agreed, the implementation is considered to be at risk.</p>		
	<p>3. Pursue 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.</p>	<p>Some progress:</p> <p>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. The young, the elderly and the long-term unemployed are the focus of public employment services; wage subsidies were introduced recently for elderly workers.</p> <p>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.</p>	<p>2. While respecting the role of social partners, ensure that the wage setting system enhances local wage bargaining and removes rigidities, contributing to competitiveness and a more export industry-led approach. Increase incentives to accept work and ensure targeted and sufficient active labour market measures, including for people with a migrant background. Take measures to reduce regional and skills mismatches.</p>	<p>Some progress:</p> <p>Substantial progress has been made in ensuring that the wage-setting system enhances local wage bargaining and removes rigidities, contributing to competitiveness and a more export industry-led approach. The social partners agreed on the Competitiveness Pact, which also extends the possibilities for local bargaining. A new wage-setting model is being negotiated for the next round of wage negotiations, where wages in the tradable sector serve as an anchor for the rest of the economy. The extent to which there will be results from the extended local bargaining possibilities remains to be seen.</p> <p>Some progress has been achieved on incentives to accept work and ensure targeted and sufficient active labour market measures, including for people with a migrant background. To increase incentives to accept work among parents of young children, the government has proposed in the 2017 budget the reduction of fees for early childhood education. From the benefits side, Finland has tightened the obligation to accept a job offer and the obligation to participate in activation schemes. The duration of earnings-related unemployment insurance was reduced by one fifth to 400 days. From 2017, mandatory</p>

				<p>interviews with all the unemployed will be carried out at three-month intervals to monitor progress with the individual employment plans. The government has also introduced additional funding for migrants' integration and a new measure offering immigrants training that will support their employability.</p> <p>Some progress has been achieved in the area of reducing regional and skills mismatches. The reform of the vocational education system, expected to be finalised in 2018 includes making it more responsive to labour market needs. The rules regarding acceptable commuting distance for jobseekers will be stricter and the unemployment benefit can be used as a mobility allowance.</p>
	<p>4. Take measures to open the retail sector to effective competition.</p>	<p>Some progress:</p> <p>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.</p>	<p>3. Continue pursuing efforts to increase competition in services,</p> <p>including in retail. Promote entrepreneurship and investment, including by reducing administrative and regulatory burden, to foster growth of high value added production.</p>	<p>Some progress:</p> <p>Some progress has been made on competition in services, including retail. Establishment conditions for retail outlets will be eased. The proposed legislation increases the minimum surface of the more tightly regulated large retail units from 2 000 to 4 000 square meters. The possibilities to establish these units in areas other than the city centres will be increased and access to outlets will become a more important factor in the planning than the outlet's nature and size. Transport and gas market reforms have been announced and the draft legislation prepared.</p> <p>Some progress has been made on the promotion of entrepreneurship and investment and fostering growth of high value added production. In order to promote entrepreneurship, the government put forward a subsidy (grant or a wage subsidy) for one-person companies to hire a worker, reviewed the rules that guide the recruitment of foreign specialists and the creation of a public database of inventions that everyone can access and exploit. An innovation voucher for SMEs is in preparation, aimed at</p>


				<p>promoting the use of outside expertise in innovating and improving products or services. The government also plans to combine the existing public support instruments into a single ‘growth service’.</p>
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 SE	<u>Country Specific Recommendations 2015</u> SGP: - MIP: CSR 1	<u>Assessment of implementation of CSR 2015</u> (COM Country Report, February 2016)	<u>Country Specific Recommendations 2016</u> SGP: - MIP: CSR 1	<u>Assessment of implementation of CSR 2016</u> (COM Country Report, February 2017)
	<p>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 under-supply 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.</p>	<p>Limited progress (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact):</p> <p><u>No progress</u> in adjusting fiscal incentives, i.e. changing the mortgage interest deductibility rules or property taxation.</p> <p><u>Some progress</u> 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.</p> <p>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.</p> <p><u>Limited progress</u> in fostering competition in the construction sector: the results of an inquiry have been published end 2015 recommending a set of measures.</p> <p><u>Some progress</u> 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.</p> <p><u>No progress</u> in reviewing the rent-setting system to allow more market-oriented rent levels.</p>	<p>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. Ensure that the macro-prudential authority has the legal mandate to implement measures to safeguard financial stability in a timely manner. Foster investment in housing and improve the efficiency of the housing market, including by introducing more flexibility in setting rental prices and by revising the design of the capital gains tax to facilitate more housing transactions.</p>	<p>Limited progress (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact):</p> <p><u>No progress</u> in adjusting fiscal incentives, i.e. changing the mortgage interest deductibility rules or property taxation.</p> <p><u>Limited progress</u> on enhancing the legal mandate of the macroprudential authority. The authorities have achieved cross-party agreement on strengthening the macroprudential authority's mandate. However, concrete proposals are still to be published later in 2017, so it remains uncertain what form the new legal framework will ultimately take (see 4.2.2).</p> <p><u>Some progress</u> on fostering investment in housing and improving the efficiency of the housing market. The authorities have put forward a 22-point plan to increase land available for development, further streamline building regulations and shorten planning lead times, and to address a number of other specific inefficiencies in the housing market (see 4.2.3). However, the timeline and precise implementation form of most proposed measures remain uncertain. In addition, no significant policy action has been taken to introduce more flexibility in setting rental prices. A temporary reform of the deferral rules for capital gains taxes on property transaction was introduced, but this will probably have limited effect (as also discussed in 4.2.3).</p>

	<u>Country Specific Recommendations 2015</u> SGP: CSR 1 MIP: CSR 2, 3	<u>Assessment of implementation of CSR 2015</u> (COM Country Report, February 2016)	<u>Country Specific Recommendations 2016</u> SGP: CSR 1 MIP: -	<u>Assessment of implementation of CSR 2016</u> (COM Country Report, February 2017)
	<p>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.</p>	<p>The Commission evaluated CSR 1 implementation in its Assessment of the 2016 Convergence Programme for the United Kingdom (May 2016) without explicitly referring to the assessment grid used for other CSRs:</p> <p><i>"In 2016-17, the fiscal effort projected to be delivered is lower than recommended, on the basis of both the top-down and bottom-up methods. There are thus some risks of not delivering the recommended fiscal effort. [...] indicators point to compliance with the recommended adjustment path towards the minimum MTO in 2017-18."</i> (pp.18-19)</p>	<p>1. Endeavour to correct the excessive deficit in a durable manner by 2016-17. Following the correction of the excessive deficit, achieve a fiscal adjustment of 0,6 % of GDP in 2017-18 towards the minimum medium-term budgetary objective.</p>	<p>CSRs related to compliance with the Stability and Growth Pact will be assessed in spring once the final data is available.</p>
	<p>2. Take further steps to boost supply in the housing sector, including by implementing the reforms of the national planning policy framework.</p>	<p>Some progress:</p> <p><u>Some progress</u> 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 take some time to implement them, and the challenge is of a large scale.</p>	<p>2. Address shortfalls in network infrastructure investment, including by delivering the priorities of the National Infrastructure Plan. Take further steps to boost housing supply, including by implementing the reforms of the national planning policy framework.</p>	<p>Some progress:</p> <p><u>Some progress</u> in addressing shortfalls in infrastructure investment. In the November 2016 Autumn Statement the UK announced a further prioritisation of public capital spending towards transport and other infrastructure. A number of major transport and energy investment decisions have been made in 2016. However it is not clear that the conditions are fully in place to secure the large amount of private funding that the UK is relying on to remedy investment backlogs in a timely and cost-effective way.</p> <p><u>Some progress</u> on boosting housing supply. The government continues to treat housing as a top policy priority. An ongoing set of reforms should have positive impacts on housing supply, though these will take time and may not be sufficient to address the chronic undersupply of housing.</p>

	<p>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.</p>	<p>Some progress:</p> <p><u>Some progress</u> 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.</p> <p><u>Some progress</u> in basic skills as several initiatives to improve basic skills are being implemented across each of the UK countries. In 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.</p> <p><u>Some progress</u> in childcare as the initiative 'Tax-free childcare' was due to be introduced in autumn 2015 but is now scheduled for roll-out 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</p>	<p>3. Address skills mismatches and provide for skills progression, including by strengthening the quality of apprenticeships. Further improve the availability of affordable, high-quality, full-time childcare.</p>	<p>Some progress:</p> <p><u>Some progress</u> in addressing skills and apprenticeship issues. The government has continued with implementation of apprenticeship expansion and reform, including the April 2017 advent of both the Apprenticeship levy and the Institute for Apprenticeships. Wider reform which will contribute to addressing skills mismatches and progression issues is demonstrated in the new Post-16 Skills Plan, which is ambitious in intention and will require coherent, committed and timely implementation.</p> <p><u>Some progress</u> in improving childcare availability albeit more mixed progress in the three different elements of affordability, quality and full-time availability. A pilot of the expansion of the doubling of the free childcare offer to three and four year olds has commenced, with full roll-out foreseen for September 2017. However, supply-side concerns, in particular the concerns of providers, appear to require further progress.</p>
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		<p>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.</p>		
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Euro Area 	<u>Country Specific Recommendations 2016</u>	<u>Assessment of implementation of CSR 2016</u> (COM Report, February 2017)	<u>Country Specific Recommendations 2017</u> (draft Council recommendations - January 2017)
	<p>1. Pursue policies that support the recovery, foster convergence, facilitate the correction of macroeconomic imbalances and improve adjustment capacity. To this end, Member States, particularly those with large stocks of private and foreign debt, are to implement reforms that enhance productivity, foster job creation, raise competitiveness and improve the business environment. Member States with large current account surpluses are to implement as a priority measures, including structural reforms, that help strengthen their domestic demand and growth potential.</p> <p>2. Implement reforms that combine: (i) flexible and reliable labour contracts that promote smooth labour market transitions and avoid a two-tier labour market; (ii) comprehensive lifelong learning strategies; (iii) effective policies to help the unemployed re-enter the labour market; (iv) adequate and sustainable social protection systems that contribute effectively and efficiently throughout the life cycle both to social inclusion and labour market integration; and (v) open and competitive product and services markets. Reduce the tax wedge on labour, particularly on low-earners, in a budgetary-neutral way to foster job creation.</p>	<p>Limited progress:</p> <ul style="list-style-type: none"> The correction of existing macroeconomic imbalances is taking place, but the <u>process is uneven and slow.</u> <u>Significant progress</u> has been achieved among net debtor countries in correcting their external imbalances, although stocks of net foreign liabilities remain high. In contrast, countries with large surpluses and positive stocks of net liabilities <u>have not corrected their surpluses.</u> There has been <u>some progress</u> in structural reform implementation. <p>Some progress:</p> <ul style="list-style-type: none"> <u>Progress has been made</u> in implementing flexible and reliable labour contracts that promote labour market transitions and avoid a two-tier labour market, particularly in the euro area Member States with both large cumulated imbalances and stringent job protection legislation before the crisis. <u>Some progress</u> has been made in implementing comprehensive lifelong learning strategies. <u>Some progress</u> has been made in implementing effective policies to help unemployed re-enter the labour market <u>Some progress</u> has been made in implementing modern social protection systems that support those in need and provide incentives for labour market integration. <u>Limited progress</u> has been made in reducing the tax wedge on labour. 	<p>1. Pursue policies that support sustainable and inclusive growth in the short and the long term, and improve adjustment capacity, rebalancing and convergence. Prioritise reforms that increase productivity, improve the institutional and business environment, remove bottlenecks to investment, and support job creation. Member States with current account deficits or high external debt should raise productivity while containing unit labour costs. Member States with large current account surpluses should implement as a priority measures, including structural reforms and fostering investment, that help to strengthen their domestic demand and growth potential.</p> <p>3. Implement reforms that promote competitiveness, job creation, job quality, resilience and economic and social convergence, underpinned by an effective social dialogue. They should combine: (i) reliable labour contracts which provide flexibility and security for employees and employers; (ii) quality and efficient education and training systems and comprehensive lifelong learning strategies targeted at labour market needs; (iii) effective active labour market policies to support labour market participation; (iv) modern, sustainable and adequate social protection systems that contribute effectively and efficiently throughout the life cycle to social inclusion and labour market integration. Shift taxes away from labour, particularly for low-income earners and in Member States where cost competitiveness lags behind the euro area average, and make it budgetarily neutral in countries without the fiscal room for manoeuvre.</p>

	<p>3. Pursue fiscal policies in full respect of the SGP. For 2016, the objective of a broadly neutral aggregate fiscal stance in the euro area appears appropriate in order to reflect a balance between long-term fiscal sustainability and short-term macroeconomic stabilisation. Looking towards 2017, reduce public debt to restore fiscal buffers and avoid pro-cyclicality. Differentiate the fiscal effort by individual Member States in line with their respective positions with regard to the requirements under the SGP while considering stabilisation needs, as well as taking into account possible spillovers across euro area Member States. To this end, review the euro area fiscal stance in the context of the stability programmes and the draft budgetary plans.</p>	<p>Some progress:</p> <ul style="list-style-type: none"> • Most Member States broadly complied with the Stability and Growth Pact in 2016. Some benefitted from the flexibility arrangement to promote structural reforms and investment. Two Member States required new deadlines to correct their excessive deficits. • For 2016, a slightly expansionary fiscal stance is expected, which is deemed appropriate for stabilisation purposes in a still tepid recovery, despite fiscal sustainability needs. • For 2017, public debt is expected to fall moderately. • Some progress has been made in the coordination of fiscal policies, in particular in terms of delivery of an appropriate aggregate fiscal stance. However, the distribution of the aggregate fiscal stance remains sub-optimal across Member States. • The euro area fiscal stance was discussed among Member States in the EWG and the Eurogroup in summer 2016 based on the Stability Programmes. 	<p>2. Aim for an appropriate balance in fiscal policies between the need to ensure sustainability and the need to support investment to strengthen the recovery, thereby contributing to an appropriate aggregate fiscal stance and a more balanced policy mix. Member States that, according to the Commission assessment, are at risk of not meeting their obligations under the SGP in 2017 should, on that basis, take, in a timely manner, additional measures to ensure compliance. Conversely, Member States that have outperformed their medium-term objectives are invited to continue to prioritise investments to boost potential growth while preserving the long-term sustainability of public finances. Member States that are projected to be broadly compliant with the SGP in 2017 should ensure compliance with the SGP within their national budgetary processes. Pursue fiscal policies in full respect of the SGP, while making the best use of the flexibility embedded within the existing rules. Overall, Member States should improve the composition of public finances, by creating more room for tangible and intangible investment and ensure the effective functioning of national fiscal frameworks.</p>
	<p>4. Facilitate the gradual reduction of banks' non-performing loans and improve insolvency proceedings for businesses and households. In Member States with large stocks of private debt, promote an orderly deleveraging, including by facilitating the resolution of unviable private debt.</p>	<p>Some progress:</p> <ul style="list-style-type: none"> • The supervisory, the macro-prudential, and resolution frameworks have become fully operational. The Single Resolution Fund have all the resolution powers in place. • Following the evaluation of the implementation by Member States of the Insolvency Recommendation of 2014, the Commission has engaged in preparing a legislative initiative on pre-insolvency and recovery proceedings. The initiative aims at providing tools that would allow viable businesses in distress to be rescued and honest but bankrupt individuals to be given a second chance. 	<p>4. In line with the roadmap of June 2016, continue work to complete the Banking Union with regard to risk reduction and risk sharing, including a European deposit insurance scheme and making the common backstop for the Single Resolution Fund operational at the latest by the end of the Fund's transitional period. Devise and implement an effective euro-area wide strategy to complement prudential supervisory action to address viability risks within the banking sector, including as regards the high level of non-performing loans, inefficient business models and overcapacity. In Member States with large stocks of private debt, promote orderly deleveraging.</p>

	<p>5. Work towards completing EMU in an open and transparent manner, while fully supporting the internal market, and further exploring the legal, economic and political aspects of the more long-term measures contained in the Five Presidents' Report.</p>	<p>Some progress:</p> <ul style="list-style-type: none"> • The Council <u>adopted</u> the recommendation to set up National Productivity Boards on 20 September 2016. • The Members of the European Fiscal Board (EFB) <u>have been appointed</u> and the EFB <u>became operational</u> in October 2016. • Regarding external representation, in June 2016, the Council <u>agreed</u> on some minimal improvements in coordination of IMF issues and agreed to continue discussions on further strengthening the coordination. • An Ad-hoc Working Group (AHWG) in the Council <u>was set up</u>, which worked on a roadmap to complete the Banking Union. The roadmap was adopted by the Council in June 2016. 	<p>5. Make progress on completing EMU, in full respect of the EU's internal market and in an open and transparent manner towards non-euro area Member States. Further advance the ongoing initiatives and work on the longer-term issues for EMU, taking due account of the forthcoming Commission White Paper on the future of Europe.</p>
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Assessment criteria used by the Commission in its evaluation of Country Specific Recommendations (CSRs) implementation

European Semester 2015 Cycle

- (1) **No progress:** The Member State (MS) has neither announced nor adopted measures to address the CSR. This category also applies if the MS has commissioned a study group to evaluate possible measures.
- (2) **Limited progress:** The MS has announced some measures to address the CSR, but these appear insufficient and/or their adoption/implementation is at risk.
- (3) **Some progress:** The MS has announced or adopted measures to address the CSR. These are promising, but not all of them have been implemented and it is not certain that all will be.
- (4) **Substantial progress:** The MS has adopted measures, most of which have been implemented. They go a long way towards addressing the CSR.
- (5) **Fully implemented:** The MS has adopted and implemented measures that address the CSR appropriately.

European Semester 2016 Cycle

- (1) **No progress:** The Member States (MS) has not credibly announced nor adopted any measures to address the CSR. Below a number of non-exhaustive typical situations that could be covered under this, to be interpreted on a case by case basis taking into account country-specific conditions:
 - no legal, administrative, or budgetary measures have been announced in the National Reform Programme or in other official communication to the national Parliament / relevant parliamentary committees, the European Commission, or announced in public (e.g. in a press statement, information on government's website);
 - no non-legislative acts have been presented by the governing or legislator body;
 - the Member State has taken initial steps in addressing the CSR, such as commissioning a study or setting up a study group to analyse possible measures that would need to be taken (unless the CSR explicitly asks for orientations or exploratory actions), while clearly-specified measure(s) to address the CSR has not been proposed.
- (2) **Limited progress:** The MS has:
 - announced certain measures but these only address the CSR to a limited extent; and/or
 - presented legislative acts in the governing or legislator body but these have not been adopted yet and substantial non-legislative further work is needed before the CSR will be implemented;
 - presented non-legislative acts, yet with no further follow-up in terms of implementation which is needed to address the CSR.
- (3) **Some progress:** The MS has adopted measures that partly address the CSR and/or the Member State has adopted measures that address the CSR, but a fair amount of work is still needed to fully address the CSR as only a few of the adopted measures have been implemented. For instance: adopted by national parliament; by ministerial decision; but no implementing decisions are in place.
- (4) **Substantial progress:** The MS has adopted measures that go a long way in addressing the CSR and most of which have been implemented.
- (5) **Full implementation:** The MS has implemented all measures needed to address the CSR appropriately.

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