Country-Specific Recommendations for 2017 and 2018

A tabular comparison and an overview of implementation
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This document presents:

- The **2017 Country-Specific Recommendations** generally endorsed by the European Council of 22/23 June 2017 and adopted by the Council of **11 July 2017**;
- The European Commission’s **assessments of the implementation of the 2017 Country-Specific Recommendations** based on its Country Reports published on **7 March 2018**;
- The **2018 Country-Specific Recommendations** proposed by the European Commission on **23 May 2018** and adopted by the Council on **13 July 2018** and
- The European Commission’s **assessments of the implementation of the 2018 Country-Specific Recommendations** based on its Country Reports published on **27 February 2019**.

For an overview of the Council Recommendations on the economic policy of the euro area, please see a separate EGOV document.

The Country-Specific Recommendations 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 2018 CSRs have been re-arranged in the table below, where applicable, by policy area to allow for an easier comparison with the 2017 CSRs.

The "colour code" used for the assessment of CSR implementation is based on the categories used by the Commission (COM) in its Country Reports: "red" = "no progress" or "limited progress"; "yellow" = “some progress”; "green" = "substantial progress" or "full progress" (see assessment criteria at the end of this document)

Please note that the overall assessment of the country-specific recommendations, which rely on the Stability and Growth Pact as they legal base ("usually the first CSR), carried out in the Commission country reports does not include an assessment of compliance with the SGP, as this compliance is conducted by the Commission in May when final data for the previous year have been made available. For an overview of recent key developments under the Stability and Growth Pact (including on relevant indicators included in the latest comprehensive European Commission economic forecasts), please see separate EGOV document.

For an overview and comparison of CSRs over the previous European Semester cycles, please see the following documents:

- Country-Specific Recommendations for 2016 and 2017: A comparison and an overview of implementation (PE 602.081)
- Country-Specific Recommendations for 2015 and 2016: A comparison and an overview of implementation (PE 497.766)
- Country-Specific Recommendations (CSRs) for 2014 and 2015: A comparison and an overview of implementation (PE 542.659)

For summary overviews of CSR implementation per year by EU Member States, please see the following documents:

- Implementation of the 2018 Country-Specific Recommendations (PE 634.354)
- Implementation of the 2017 Country-Specific Recommendations (PE 614.500)
- Implementation of the 2016 Country-Specific Recommendations (PE 587.394)
- Implementation of the 2015 Country-Specific Recommendations (PE 574.398)
- Implementation of the 2014 Country-Specific Recommendations (PE 542.649)

For an overview of the Commission assessments of CSRs implementation since 2012, please see also separate data-base as published on the EP homepage.

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1. **Pursue a substantial fiscal effort in 2018** in line with the requirements of the preventive arm of the Stability and Growth Pact, taking into account the need to strengthen the ongoing recovery and to ensure the sustainability of Belgium’s public finances. Use windfall gains, such as proceeds from asset sales, to accelerate the reduction of the general government debt ratio. Agree on an enforceable distribution of fiscal targets among government levels and ensure independent fiscal monitoring. **Remove distortive tax expenditures.** Improve the composition of public spending in order to create room for infrastructure investment, including on transport infrastructure.

### 2017 CSRs

**SGP: CSR 1**

**MIP: -**

**Assessment of implementation of 2017 CSRs**

**March 2018**

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

**Limited progress** has been made towards an enforceable distribution of fiscal targets among the various levels of government.

The federal government is taking steps to reinforce the autonomy of the High Council and the independence of its members. The adoption of the necessary amendments requires prior consultation with the federated entities. However the calendar for consultation and adoption has not been communicated.

The federal government has partially dismissed its participation in BNP Paribas. Proceeds from the sale of the participation have been used to reduce the debt.

Wallonia has created a public debt management agency.

**Some progress** has been made toward removing distortive tax expenditure.

The corporate tax reform contributes to simplify the system, however several distortive tax expenditures remain.

### 2018 CSRs

**SGP: CSR 1**

**MIP: -**

**Assessment of implementation of 2018 CSRs**

**February 2019**

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

**Limited Progress.** A number of measures have been adopted since 2015 in order to control the costs of ageing and guaranteeing the fiscal sustainability of the first pension pillar. The measures mostly consist in: gradually raising the legal age; tightening the conditions of access to the early pension; gradually eliminating the consideration of years of study in careers for the public sector; introduction of the mixed pension system. However, even when taking into account those measures, the projected increase in pension expenditure is significant and put the long-term sustainability at risk. The planned measures about the definition of ‘ardous jobs’ and the introduction of ‘credit-based public pension system’ have been postponed.

**Limited Progress.** The devolution to the regions of the responsibilities for the long-term care system does not appear to have a clear impact the long-term sustainability of the system. In absence of measures, according to the Ageing Working Group reference scenario...
Company car system: the conditions attached and the voluntary nature of the mobility allowance proposal (a second reading by the Government is expected after the State Council provided its opinion) will result in uncertain environmental gains, with very little changing to the level of tax expenditure.

**Limited progress** has been made to improve the composition of public spending.

There are plans to limit the increase of current expenditure, this should determine the relative increase of the share of capital expenditure.

The Flemish region plans to introduce a spending review in its budgetary exercise.

The federal government has announced a National Pact for Strategic Investment to promote structural reform and address the deficit in public investment.

Regional government plans to increase investment in transport infrastructures.

Public expenditure on long-term care is projected to steadily increase from 2.3% of GDP in 2016 to 4.0% of GDP in 2070.

**Limited Progress.** According to the 2013 Cooperation Agreement, the Consultation Committee must discuss the global budgetary objective and take a decision on individual objectives for the Stability Programme based on an opinion of the High Council of Finance. In contrast with the practice of previous Stability Programmes, in which the Consultation Committee "took note" of the trajectory, all levels of government approved the overall fiscal trajectory presented in 2018 Stability Programme and supported the achievement of the fiscal targets by 2020 for all government levels. Although this approval added credibility to the overall trajectory, there was no formal agreement on the annual fiscal targets at each level of government. In addition, the lack of annual targets for individual entities undermines the possibility for the High Council of Finance to monitor the compliance with an agreed budgetary trajectory.

**Limited Progress.** In March 2017, the Prime Minister announced the elaboration of a National Pact for Strategic Investments. Within the framework of the National Pact for Strategic Investments, eight working groups were set up to support the Strategic Committee. Six of these working groups have made a thorough analysis of the potential investments concerning the six thematic pillars of the Pact (digital, cyber security and trust in digital, education, health, energy and...
two working groups have discussed the transversal issues of the regulation and the mobilisation of capital for investment. In March 2017, a Strategic Committee was also established to outline the main points of the Pact and make recommendations to the government. Since October 2017, the Strategic Committee has been in the operational phase of the Pact, which is aimed at formulating concrete recommendations on investment projects and measures to promote their implementation and increase their impact on growth. In the context of the preparation of the initial budget 2019, the federal government intends to finance 447 million on strategic investment projects.

The Government of Flanders is preparing the structural incorporation of a spending review approach in its budgetary process. As a first step, the Flemish Government is carrying out a pilot project with a focus on a specific topic, as recommended by the European Council. The pilot project will be completed in spring 2019. Further preparatory measures towards the structural incorporation of spending reviews in the budgetary process are planned for 2019.

2. Ensure that the most disadvantaged groups, including people with a migrant background, have equal opportunities to participate in quality education,

Some progress:

Some progress has been made in ensuring equal opportunities to

2. Remove disincentives to work and strengthen the effectiveness of active labour market policies, in particular for the low-skilled, people with a migrant background and older workers. Pursue the education and training reforms,

Limited progress:

Limited Progress. As of 1st January 2019, the new programme for employment support - AktiF and AktiF Plus - enters into force in the
vocational training, and the labour market.

The reform of adult education was adopted by the Flemish Community in June 2017 and should be phased in by August 2019. It requires a scale increase in order to better use available resources, modernise human resources management and offer full-pathways.

Flemish Dual learning reform in secondary education, the pilot has been extended to new fields, however, its full implementation has been postponed to 2019/2020.

The Flemish action plan on pre-primary education was launched in Dec 2016. To be progressively implemented

Both communities are developing specific attainment targets. In Flanders a draft decree on the basic principles of the attainment targets was adopted. Working groups started work to make them operational. The first ones should be ready by 2019/2020, in time for the progressive implementation of the modernisation of secondary education. Similar measures are taken in the overall framework of the French Community reform.

In 2017 the French Community adopted the objectives, a multi-annual budget, an implementation calendar for its systemic reform of ECEC and compulsory education. The implementation will be rolled out in the next 15 years starting with early childhood education.

In the French community in the framework of the school reform several including by fostering equity and increasing the proportion of graduates in science, technology, engineering and mathematics.

Germanspeaking Community. It consists of financial support to employers who hire people from groups far-away from the labour market (in particular below 26 and 50+).

In July 2018 Flanders has reinforced the existing target group policies. A higher reduction of social security contribution is introduced for employers willing to hire people over 60 years old. Employers will also be exempted from employer contributions if they hire people over 55 years old and low skilled youngsters. Support to people with a disability will be increased. The income threshold of the disability premium (VOP) will be lowered to make it more attractive to independent workers and the procedure will be simplified. The reinforced target group policy will enter into force in January 2019. At the same time existing measures will be continued: language training through ‘integration through work’ (PES), temporary work experience trajectories, activation long term unemployed job seekers (>2 years) and trying to reach more NEET youngsters.

As of Jan 1st 2019, new rules have entered into force Flanders, regarding, a.o. the recruitment and hiring (and financial support) of medium and highly qualified workers from abroad. The main goal is to attract talent from outside the EU in order to fill in recurrent bottleneck professions. At the same time existing procedures have been simplified. Today employers can start a procedure to obtain a work- and residence permit at the same time for a non-Eu national who wants to work in Flanders. In 2019 an
measures were adopted: a) on pre-
primary education the introduction of an
‘initial key competences framework’,
which should enter into force in
2019/2020 and a EUR 50 million budget
to recruit 1 100 pedagogical staff
between 2017/2019; b) the
establishment by 2018/2019 of a six-year
plan covering pupil performance, school
climate, inclusive education, pupil
pathways and professionalization; c)
new governance measures, for instance
the set-up of a geographical responsible
and quality measures.

**Limited progress** has been made in
ensuring equal opportunities in
participating to the labour market. The
initiatives taken by the federal
government and the three Regions
focus on first arrivals, notably asylum
seekers and refugees and fighting
discrimination. They include:

Cooperation agreements between the
reception agency Fedasil and the
Flemish Employment Service as well as
with the Forem (Walloon agency for
employment and training) to provide
information on labour market
opportunities and training to asylum
applicants, as well as to
perform a
screening of the competences in an early
stage. Belgium also developed special
procedures for asylum seekers and
refugees deal with incomplete
documentation of their qualifications, to
allow for validation of relevant
competences.

The three Regions have adopted
integration measures that are
compulsory for newly arrived third-

electronic platform will be developed to
further simplify the existing procedures.

In July 2018 the Walloon Government
decided on attributing new financial
means to the so-called Brasero
mechanism, which aims at supporting
the creation of cooperatives and social
entrepreneurship.

In November 2018 the Walloon
government has approved the
revamping/streamlining of the so-called
Airbag mechanism, which aims at
supporting the transition towards self-
employment as main occupation. The
newly adopted measures aim at
reducing the delay for
assessment/examinations of the
dossiers and at simplifying the
mechanism both for the workers and for
the FOREM (in charge of its
implementation).

As of Jan 1st 2019, the Tax Shift enters in
its last phase, with notably, among
others, the reduction of personal social
security contributions for the low-wage
workers.

**Limited Progress** has been made in
proposing and adoption of education
and training reforms, including for
fostering equity, but many important
reforms still need implementation.
The implementation of the ’Pact for
Excellence’, the French Community’s
flagship school reform to improve basic
skills, efficiency, governance and tackle
inequalities is progressing slowly. The
French Community is gradually
proposing or adopting decrees for the
country nationals. However this is not likely to be sufficient to address the multifaceted obstacles to labour market for immigrants.

Practice tests (double CVs or mystery calls) to detect and fight discrimination on the labour market have been authorised in the Brussels region and will soon be possible in the whole country.

The Flemish Region also updated its action plan to combat work-related discrimination together with social partners and other stakeholders, focusing on awareness-raising, self-regulation and reinforced monitoring.

The Brussels Region adopted a “regional plan for diversity and combat discrimination in hiring” which must be translated into an operational plan.

implementation of the Pact for Excellence, but only a few measures are being implemented so far.

From 2019, there will be a gradual increase in the budget for individualised child support to reduce grade repetition and school failure. New quality assurance and school governance measures as well as the recently adopted reform of the initial teachers’ education aim to improve educational performance and to reduce inequalities. Nevertheless, major reforms are still pending, such as the extension of the common multi-disciplinary curriculum to the 9th grade and the new working organisation of teachers.

Some decrees improving educational outcomes and reducing inequalities have been adopted:
- The decree on remediation and individualised support of pupils was adopted on 10 October 2018.
- The decree on the separation of the organizing power from the regulatory power adopted on 6 February 2019 will allow the public schools’ network to become autonomous and decentralised as well as the adoption and the implementation of further reforms foreseen in the Pact for Excellence in Education.
- The decrees on the 6-year piloting plans of schools with improvement objectives are being gradually implemented over the next few years, as well as the macro governance measures.
- Additional support staff (speech therapists) for pre-primary school have been available as of 1 January 2019 and
pre-primary school will be free as of 1 September 2019.

The decree on the implementation of certification by units in formal Initial Vocational Education and Training (IVET) programmes has been adopted on 13 June 2018 and a pilot is being implemented.

The French Community has adopted on 6 February 2019 a reform of the Initial Teachers’ Education for elementary and lower secondary education, which will enter into force in 2020. The main thrusts of the reform are: the extension of studies, the harmonization of teacher training at all levels of schooling, the reinforcement of training contents, in particular those giving teachers the means to manage their education. Heterogeneity of classes and to fight against school failure, the accentuation of the articulation theory and practice, the development of scientific research in teaching, and the revision of the training of trainers.

Additional reforms are under preparation, but have not been adopted and implemented yet:

The draft decrees on the work organisation and the workload of teachers, the status of school directors, the missions of the new school inspection and the support to low performing schools are relatively advanced in the legislative process.

The government of the French Community has proposed on 19 December 2018 the legal framework for the extended Common curriculum (to
be implemented as of school year 2020/2021). Parliament will need to adopt this draft decree. A follow-up draft decree on the educational attainment targets will need to be proposed and adopted before this new common curriculum can be implemented.

There has been some progress in the Flemish Community to reduce inequalities, as adopted decrees targeted many education levels.

Close monitoring will be needed to ensure that some of the measures mentioned below also have a positive impact on equity.

The Flemish Community adopted on 28 March 2018 a decree on the modernisation of secondary school education. It will be implemented as of school year 2019/2020.

The decree on the reform of the attainment goals for the first stage of secondary education is expected to be adopted by the Flemish Parliament before the end of the current legislature. The decree on the dual learning system in secondary education was adopted on 21 March 2018 and will be fully implemented as of 1 September 2019 onwards.

The reform of the pupil guidance in secondary education was implemented as of 1 September 2018.

The decree on Higher Vocational Education was adopted by the Flemish Parliament on 4 May 2018 and will be
implemented as of academic year 2019/2020.

The decree on the reform of Adult Education was adopted on 7 March 2018 and will be implemented as of school year 2019/2020.

The adoption of the decree on the Right to enrolment in compulsory education is currently suspended.

The decree on the reform of the existing system of training incentives was adopted in October 2018.

The decree on the reform of the teaching career is currently being drafted. “Teacher platforms” have already been set up to provide more job security to young starting teachers.

On 11 July 2017, the Government of Flanders and social partners reached an agreement on the reform of education and training incentives for adults which will start on 1/9/2019. The goal is to have an integrated training incentive policy with three instruments with a labour market-oriented and forward-looking training focus: Flemish educational leave, training vouchers and Flemish training credit.

**Limited progress** has been made in pursuing education and training reforms to increase the proportion of STEM graduates.

The Flemish Community further pursued the implementation of the STEM action plan 2012-2020. Two of the five
objectives have already been met in 2016. Specific measures advocated by the STEM platform include further development of STEM academies (driven by volunteers) to provide extracurricular initiatives to raise awareness among young people and better structural support and quality promotion through collaboration with other instances, training centres, art academies, and schools with a good STEM infrastructure. As from 2019 onwards, a broad range of initiatives will be taken in collaboration with the Regional Technological Centres of Flanders, CPD’s and a broad range of VET schools.

The Walloon Government decided on 13 December 2018 to grant a subsidy to the 5 Walloon universities to promote, disseminate and raise awareness of STEM studies and careers.

The Digital Wallonia Plan includes measures to grant subsidies to digital projects for schools (Digital Schools) and an awareness campaign to promote STEM, and in particular digital studies for women (Wallonia Wonder Women). Brussels Capital Region has launched a call for proposals for the financing of coding projects targeting compulsory schools.

The government of the French Community adopted a Digital Strategy for education (schools) on 10 October 2018 to be gradually implement in the next 5 years. The measure on digital governance will require legislative approval by the next government in 2019.
### 3. Foster investment in knowledge-based capital

- **Limited progress:** Some progress has been made in fostering knowledge-based capital.
  - The tax shelter for equity investment in start-ups was extended to scale-ups (fast growing enterprises). A fund-of-fund which would facilitate the availability of venture capital funding in Belgium was also announced.
  - Via the National Pact for Strategic Investment, Belgium notably announced more investments in the digital economy.
  - Flanders made substantial budgetary effort in 2017 in support of research and innovation (EUR 195 million additional funding), notably in support of stronger public-private collaborations (via the strategic centres like IMEC and the new cluster policy).
  - Under Flanders’ targeted cluster policy, initiatives in the area of sustainable chemistry, logistics, materials and energy started in 2017. Specific cluster pacts lay out the commitments of businesses, knowledge institutions and the government.
  - Flanders pursued its STEM initiatives which dispose of a sizable budget of EUR 9 million. In 2017, the ICT impulse programme was launched to increase computer and programming skills in young people.
  - Flanders started implementing the Innovation Procurement Action plan with the aim of fostering innovation in new or existing transport infrastructure and reinforcing incentives to use collective and low-emission transport.

### 3. Reduce the regulatory and administrative burden to incentivise entrepreneurship and increase competition in services

- **Limited progress:** Limited progress has been made on the reduction of administrative burden to incentivise entrepreneurship.
  - The reform of the company law code will reduce the number of companies from 17 to 4, remove minimal company requirements for setting up a company, abolish the unlimited liability of administrators and allow e-mail to replace registered letters.
  - Flanders has adopted a decree on 18 May abolishing the legal provisions on basic knowledge of business management.
  - Flanders has integrated the retail license in the environmental permit.
  - The implementation of the 2017 reform to simplify the corporate tax system has continued. The statutory tax rate has been lowered from 33.99% to 29.58% in 2018. The reform also introduced amendments to ease taxation on startups and small companies. However, some inefficient tax expenditures remain in place such as the company car scheme (cf. infra). The regionalisation of some taxes may add complexity to the tax system.
  - Digitisation of public services is still fragmented and progressing slowly in spite of a number of innovative initiatives at regional and local level.
  - Digitalisation of the justice system is advancing slowly. The e-Deposit system
the private sector in response to public needs (budget EUR 5 million).

The Brussels region has started implementing the action plan of its Regional Innovation Plan 2016-2020.


In its Walloon investment plan, the Walloon government announced additional investments in research, development and innovation for the period 2019-2024.

Limited progress has been made in increasing competition in professional services and retail

Flanders has initiated the assessment of the 27 craft professions. For 16 of them the assessment has been finalised. On march 2017 it has been decided to abolish the Establishment Act a selected number of professions. The profession of travel agent has been completely deregulated in the Walloon region.

Simplified procedures for retail establishment in Flanders entered into force on 1 January 2018. A monitoring system to assess the impact of the new legislation is foreseen. Brussels Region has also adopted new rules recently, which will enter to force gradually as of 2018. An evaluation of the new legislation on retail establishment is ongoing in the Walloon region.

However, the modernisation of the legal professions announced for the summer 2018 has not been published yet. There has been no follow-up to the analysis of the need for and proportionality of
Limited progress has been made in enhancing market mechanisms in network industries.

Since July 2017 a simplified procedure has been introduced to change of telecom operator. The new telecom operator is charged of the administrative burden and of the technical transfer.

The IBPT has been charged with the analysis of the telecom market in order to adapt regulation in relation to new operator to increase competition.

Specific restrictions imposed on legal persons providing professional services. Finally, no reforms have taken place to reduce the important restrictions to rail and road transport services.

Some progress was made to tackle investment in existing transport infrastructure. In January 2019, Regions have agreed to a multi-annual 60/40 allocation key for the Regional ExpressNet.

The Brussels Regional Government has approved and is carrying out a multiannual investment programme for the renovation of its tunnels, bridges and viaducts worth over 1 billion euros for the coming 10 years. In addition, the Brussels Regional Government has approved a multiannual investment programme for public transport that is currently being carried out. The plan runs from 2015 until 2025 and foresees 5.2 billion euros of investments in new metro lines, tram lines and a greener bus fleet.

An agreement for additional funding for the regional ExpressNet project was reached at the end of 2018. The agreement has been approved by the Federal Parliament and is waiting for approval by the Regional Parliaments.

Limited progress. Belgium is still a country where the use of company cars for commuting is heavily incentivised, whereas the connectivity with collective public transport, in particular between the centre of Brussels and its outskirts is deficient. As to low-emission transport,
the use of alternative fuels in new passenger cars sold in Belgium has been increasing very dynamically over the past four years. The different Belgian regions each apply their own set of support measures, potentially leading to market fragmentation, but all put emphasis on encouraging the uptake of electric vehicles. The Federal Government grants a tax credit of 30% on the purchase of an electric vehicle.
1. **Further improve tax collection and tax compliance**, including through a comprehensive set of measures beyond 2017. **Step up enforcement of measures to reduce the extent of the informal economy**, in particular undeclared work.

**Some progress:**

**Some progress** in further improving tax collection and tax compliance. Implementation of the tax compliance strategy made somewhat more progress, and controls and measures to collect tax debt were intensified. Until the end of 2017, more than 60% of the measures included in the Strategy were launched, but only few of them were completed. The authorities have extended the strategy up to December 2018.

**Some progress** in stepping up enforcement of measures to reduce the extent of the informal economy. Several measures were taken to reduce undeclared work. Companies engaged in undeclared work will not be allowed to participate in public procurements, following the recent legal amendments. In spite of the reduction of undeclared work in certain sectors (in agriculture with the introduction of one day contracts), the share of undeclared work continues to be high and continues to distort the labour market and impede fair working conditions. Joint inspections between fiscal and labour authorities have been organised, promising future improvements in efficiency and scope.

1. **Improve tax collection and the efficiency of public spending**, including by stepping up enforcement of measures to reduce the extent of the informal economy. **Upgrade the State owned enterprise corporate governance framework** in line with international good practices.

**Some Progress.** In 2018, Bulgaria has put in place a number of measures to tackle the shadow economy and improve tax collection. Many of those measures were implemented in the framework of “The Single National Strategy for improving tax collection, tackling shadow economy and reducing compliance costs”. These measures have brought some positive results in the form of higher revenue. A particularly successful measure was the checks of declared cash by the companies (bringing in additional BGN 108.3 million, a 55.6% increase year-over-year), which encouraged many of the companies with excess cash to amend their financial results or declare dividend payments. In addition, the introduction of tax controls on the movement of high-risk goods has brought higher direct and indirect tax revenue from companies in these sectors.

**Some Progress.** The government has made steps to improve public expenditure efficiency. In 2018, the World Bank completed a spending review in a number of public institutions (ministries and municipalities), published two pilot studies and delivered to the authorities a manual for future reviews. No follow-up measures or additional spending reviews have
been announced as yet. The government also updated and stabilised the set of performance indicators per policy area in the medium term fiscal strategy. The Ministry of Finance is planning to use this stable set of indicators to assess the impact of public spending and to inform the budget evaluation and planning in the medium term.

**Some Progress.** To fight undeclared work, the authorities implemented measures such as one-day flexible contracts in agriculture and the exclusion of companies convicted for undeclared work (in the last three years) from public procurement. The General Labour Inspectorate has signed an agreement with the trade unions to jointly fight undeclared work. At the same time, the National Revenue Agency (NRA) applies a number of measures to improve compliance and collection in high-risk sectors, including undeclared work risk. Another positive element in 2018 is the launch of an information campaign “Salary in an Envelope” by the National Revenue Agency. The campaign primary aim is to demonstrate to the citizens the amount of the losses they are experiencing from this practice in the long run, including a dedicated webpage in which they can estimate the actual losses in their future pension, among other harmful consequences.

**Limited Progress.** There is not yet any change in the state-owned enterprises corporate governance framework but its reform has been planned. The government put in place a project to (i)
2. Take follow-up measures on the financial sector reviews, in particular concerning reinsurance contracts, group-level oversight, hard-to-value assets and related-party exposures. Improve banking and non-banking supervision through the implementation of comprehensive action plans, in close cooperation with European bodies. Facilitate the reduction of still-high non-performing corporate loans, by drawing on a comprehensive set of tools, including by accelerating the reform of the insolvency framework and by promoting a functioning secondary market for non-performing loans.

Some progress:

Some progress in taking follow-up measures on the financial sector reviews. The capital buffers of two banks were strengthened in line with the findings of the asset quality review. With the help of external advisers work is ongoing to strengthen their robustness. The larger of the two banks has tried to raise fresh capital including by attracting new core investors, but it has been unsuccessful by end-2017. In non-banking, the supervisor took some follow-up measures, including issuing recommendations to companies with capital needs and to those with shortcomings in governance.

Some progress in improving banking and non-banking supervision. Progress has been made in some areas to strengthen bank supervision, but less so in others. The BNB amended several pieces of legislation with a view to strengthening its decision-making review and assess the legal, regulatory and operational framework of State-owned enterprises and (ii) revise and align legislation with OECD guidelines on corporate governance of State-owned enterprises. The initiative is part of the action plan of the government in view of the envisaged application for participation in the ERMII. A technical assistance project with the European Commission and the OECD was launched in August 2018. The adoption of the new framework is expected by July 2019.

2. Take follow-up measures resulting from the financial sector reviews and implement the supervisory action plans in order to strengthen the oversight and stability of the sector. Ensure adequate valuation of assets, including bank collateral, by enhancing the appraisal and audit processes. Complete the reform of the insolvency framework and promote a functioning secondary market for non-performing loans.

Some progress:

Substantial progress. Most recommendations of the 2016 asset quality review of the banking sector have been addressed, leaving one important outstanding action. Insurance companies’ solvency has improved since the completion of the sector’s reviews. According to the Financial Supervision Commission, all recommendations of the independent balance sheet reviews of insurance companies and pension funds were fully implemented by April 2017. At the end of 2017, all but one insurer satisfied Solvency Capital Requirements, without the application of Long-Term Guarantee and transitional measures. However, some insurers’ solvency ratios are close to 100%, which could indicate potential weaknesses that should be closely monitored. In 2017, the Financial Supervision Commission withdrew the licences of two insurers for a number of reasons, including the failure to comply...
framework and improving the supervisory process. It also took steps to improve the supervision of risk from related-party exposures, adopted by Parliament. Legislative changes were adopted to strengthen the financial independence of the FSC, its governance structure and the judicial framework. The FSC adopted an action plan aimed at addressing the most pressing issues identified by an independent assessment.

**Some progress** in facilitating the reduction of still high corporate non-performing loans. The reduction in NPLs accelerated, but limited progress was made in promoting a functioning secondary market for NPLs. IMF and anecdotal evidence suggest that one reason could be the inconsistent valuation of collateral. The reform of the insolvency framework slowly continues.

with capital requirements. Both companies have appealed this sanction. The decision is still pending before the administrative higher court. Group-level supervision remains a challenge for an adequate risk-based insurance supervision. The group-level assessment of two insurance groups was never completed. While in one case group supervision is no longer applicable due to restructuring, in the other case the Supreme Administrative Court revoked the decision of the authority for identification of the group. The authorities' approach following the court's decision will still have to take into account the requirements under the transposed Solvency II Directive stipulating that group level supervision is to be applied at the ultimate parent level. The supervision of the car insurance sector is being strengthened. The authorities started in November 2017 to automatically match information from car registration databases with motor third-party liability contracts, to combat fraud. The Financial Supervision Commission has taken further measures to ensure that victims of car accidents receive the proper compensation, in particular in cases of cancelled insurance contracts, and that all Bulgarian insurers have a network of claims representatives in all EU Member States, as required in the Motor Insurance Directive. As expected under the Action Plan 2017, the Financial Supervision Commission has published a report on the level of motor third party liability premiums. Nevertheless, significant challenges regarding the business model and business strategy of market participants remain a concern,
Some Progress. Delayed actions for improving banking supervision from the 2015 plan are being completed. The Financial Supervision Commission adopted an Action Plan for reforming non-bank financial supervision in September 2017, in cooperation with the European Insurance and Occupational Pensions Authority. Implementation is on-going. The actions towards a proper risk-based forward-looking supervisory process already delivered some outputs, like a supervisory manual and risk matrices. These are useful and necessary tools, but the full implementation of an action plan to establish such a risk-based forward-looking supervisory process remains key, and only time will show to what extent new rules are effectively enforced and whether supervision has really improved in practice. The failure of Olympic, issues with group-level supervision, the frequency at which the supervisor's decisions are overturned by the courts and the worsened problems of the Green Card Bureau show that insurance supervision still faces some real challenges. In the area of pension funds, amendments to the Social Insurance Code were adopted by the parliament in November 2017. They include a broader definition of related parties, in line with international standards. As the law previews a 12 months implementation delay, the changes need to be duly enforced and their effectiveness monitored. In addition, the Financial Supervision...
Commission was strengthened by legislative amendments introduced in 2017, which provided it with sufficient funding and staff and expanded its supervisory capacity. A proper risk assessment framework, currently under development, should support the improved supervision capacity. The head of Insurance Supervision in the Financial Supervision Commission resigned in August 2018, as a consequence of the failure of Olympic Insurance. Despite announced plans to designate a successor, no formal steps have been taken so far. Furthermore, the announced change in the Financial Supervision Commission chair in March 2019 could generate further uncertainty, in particular given the ambitious scope of the planned reforms. It is important in both cases to ensure the timely appointment of professionals who duly fulfil fit-and-proper requirements.

Some Progress

Issues with the valuation of collateral limit the incentives of banks to dispose of non-performing loans. A range of hard-to-value assets still exist, notably related to immovable property. Examples include real-estate collateral in the banking sector, receivables and real estate holdings in the insurance sector and stocks, bonds, real estate and other financial instruments in the pension funds sector. In addition, the uneven quality of auditing affects the valuation of illiquid instruments traded on stock exchanges as well as non-traded assets, including receivables, minority equity stakes and subsidiaries. For real-estate valuations, auditors rely on locally-licensed appraisers. Despite the
advantage of local expertise, valuation standards differ and the licensing system is not sufficiently tight. In the absence of a mandatory standardised methodology, commercial banks have the discretion to use different valuation frameworks, which may create considerable discrepancies. Some issues related to valuation in the non-banking financial sector require further monitoring. According to the Financial Supervision Commission, auditors have not identified any particular problem with the clean-cut reinsurance contracts. However, concerns regarding their supervisory treatment remain to be addressed. The on-going on-site inspections are also expected to allow further assessment by the Financial Supervision Commission. The issue of hard-to-value assets, including traded securities with low liquidity and low free float, as well as non-traded assets, has been identified in the reviews of both the banking and non-bank financial sectors but has not yet been fully addressed. Amendments to secondary legislation could be followed by changes to the rules governing the work of valuation practitioners to improve the application of valuation rules. Amendments to Ordinance 9 of the Financial Supervision Commission, concerning the valuation of the assets and liabilities of the pension funds, entered into force on 19 November 2018.

**Limited Progress.** Reform of the insolvency framework is still incomplete, with important legislative elements missing. The pre-insolvency
Limited Progress. The overall ratio of nonperforming loans declined to 9.2% in June 2018, from 12.1% a year earlier. Non-performing loans by non-financial corporations also decreased, but still topped 15.4% of total loans and advances (19.9% a year earlier). These levels are well above the EU averages in June 2018. Progress with restructuring has been slow.

3. Improve the targeting of active labour market policies and the integration between employment and social services for disadvantaged groups. Increase the provision of quality mainstream education, in particular for Roma. Increase health insurance coverage, reduce out-of-pocket payments and address shortages of healthcare professionals. In consultation with social partners, establish a transparent mechanism for setting the minimum wage. Improve the

Limited progress:

Some progress in improving the targeting of active labour market policies and the integration between employment and social services for disadvantaged groups. While the network of centres has been expanded and new services are being introduced (family case managers, mobile services), the integration of employment and social services still lacks important components. The municipalities, the main social service providers, are not

Limited progress:

Some progress. Several measures are being implemented supporting disadvantaged groups to access the labour market, including training, supervised internships and incentives to employers to hire them after their training. Other measures encourage entrepreneurship among young people for starting their own business. Mediation services have been broadened and Job Integration Agreements (JIA) have been introduced.

Limited progress:

Some Progress. On the positive note, Bulgaria asked for assistance to progress on the reform of the insolvency framework in 2018. This project will put forth a roadmap addressing the identified gaps.
coverage and adequacy of the minimum income.

included in the integrated approach, and considerable investment is required to expand the network of centres and harmonize administrative processes, including data collection and sharing. Measures have been taken for targeting long-term unemployed and young people, but Youth Guarantee coverage remains low, especially for the inactive NEET group. The NEET rate and inactivity among the NEET group remain very high. Job integration agreement for the long-term unemployed was introduced with the amendment of the Employment Promotion Act in October 2017.

Limited progress in increasing the provision of quality mainstream education, in particular for Roma. While Bulgaria started implementing measures for inclusive education reform and for Roma inclusion, these are not enough to address the magnitude of the challenges and results have yet to be seen. Measures include language courses, working with parents and curricular training for those whose mother tongue is not Bulgarian. The multidisciplinary teams to tackle out-of-school children are a step in the right direction, but educational measures to keep students in school and integrated social measures targeting the family are still limited. The impact of the united schools and of the new school structure (lower secondary education ending at grade 7 instead of 8) on early school leaving have to be seen. Enforcing the ban on segregated classes remains a challenge. Remuneration levels were increased and system of financing of income and improve its coverage and adequacy.

during 2018 for long-term unemployed. Overall, however, participation in active labour market policies (ALMP) remains low and the training component of these policies could be strengthened. Further developing vocational education and training could improve the impact and sustainability of activation measures.

Some Progress was made in improving the provision of quality inclusive mainstream education, but a significant amount of work is still needed. A few measures have been implemented such as the inter-institutional mechanism to identify out-of-school children and return them to school, support for students to overcome learning gaps, several measures aiming to improve digital skills, increasing teachers’ salaries and retraining teachers, as well as reforming funding standards to allocate additional funding to disadvantaged schools and kindergartens. However, improvements in educational outcomes have not been recorded yet and efforts to improve the situation of students from the most vulnerable groups and Roma are lagging behind.

Limited Progress. The implementation of the National Health Strategy action plan is considerably delayed. In 2018, some progress was achieved in improving access to disease prevention medicines and outpatient programmes. The 2014-2020 ERDF investment in a network of emergency health care, planned in the National Health Strategy, started as late as end of 2018.
pre-school and school institutions re-designed. Despite these measures, the concentration of disadvantaged students into low-performing schools, including de facto segregated schools and Roma classes, are major barriers in providing quality mainstream education in Bulgaria.

**Limited progress** in increasing health insurance coverage, reducing out-of-pocket payments and addressing shortages of healthcare professionals. Despite numerous requests, the Bulgarian authorities did not provide information on the number of inhabitants without health insurance and thus with limited access to health care services. The results of implementing new rules of pharmaceutical pricing are not known. The higher 2018 budget for the National Health Insurance Fund is meant to lower out-of-pocket payments. In recent years the number of medical students increased and number of professionals leaving the country dropped. General practitioners are offered better salaries for working in remote areas but the results of this measure are not known. The number of places available for nursing studies was raised but not all of them were taken since nursing is seen as an unattractive profession in Bulgaria. Overall the authorities report more on their plans than in the results of action taken.

**Limited progress** in establishing a transparent mechanism for setting the minimum wage. The government has tabled proposals for a minimum wage setting mechanism to address this shortcoming; however, there is no agreement between the social partners. While no regular and transparent revision mechanism has been proposed for the minimum income (MI) the number of supported persons has increased according to administrative data of the authorities. The minimum income remains too low to have an impact on the number of people living in poverty or on income inequality. In 2018 the guaranteed minimum income (GMI) was increased by 15% - from BGN 65 to 75 (EUR 5). However, the minimum income is still among the least adequate in the EU and significantly below the at-risk-of-poverty threshold (EUR 180 in 2018). Despite the measures that have been taken – social assistance for heating is being granted on the current place of residence, making it more flexible and accessible, the amount of the heating benefits for the next heating season is adjusted to the electricity prices, the mechanism for compensation of pensions’ increase is being updated so that the pensioners who receive heating benefits could not drop out due to the pensions’ increase – the coverage and adequacy of social benefits remain low and an objective mechanism for their regular updates is still lacking.
on this issue. There is an agreement, on basing the future mechanism on the ILO convention 131, which is expected to be ratified by Parliament in 2018. In its budget forecast, the government included increases of minimum wage until 2020.

Some progress in improving the coverage and adequacy of the minimum income. After being frozen for 9 years, the guaranteed minimum income (GMI), which determines the level of social benefits, is seeing an increase in 2018 of BGN 10 (to BGN 75 or EUR 38), but its adequacy remains among the lowest in the EU. An objective mechanism for regular benefit updates is lacking. The minimum income remains too low to have an impact on the number of people living in poverty or on income inequality. Moreover, take-up is limited.


Some progress:

Some progress in ensuring efficient implementation of the 2014-2020 National Public Procurement Strategy. Most of the measures in the strategy have been put in place. Some still need further work, for example e-procurement platforms are still to be introduced. Attention is also needed to ensure the correct functioning of the Central Purchasing Bodies for the health sector and for the municipalities. Efficient implementation of the National Public Procurement Strategy entails not only adopting the relevant measures but applying them and assessing their impact.
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<td>CZ SGP: -</td>
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1. Ensure the long-term sustainability of public finances, in view of the ageing population. **Increase the effectiveness of public spending**, in particular by fighting corruption and inefficient practices in public procurement.

**Some progress:**

**Limited progress.** Besides the cap of the retirement age at 65 a new measure increasing the indexation of pensions has been adopted. Specifically, the indexation formula now takes into account a higher proportion of the real wage growth (from $\frac{1}{3}$ to $\frac{1}{2}$). According to long-term projections, the impact on expenditure amounts to 2 pps in 2070 and worsens sustainability. A review report should assess the retirement age every 5 years, starting in 2019. These possible reviews are not part of the expenditure costs projections, because the system lacks an automatic increase of the retirement age in line with life expectancy.

**Some progress.** A number of major anti-corruptions reforms were adopted as part of the government’s anti-corruption strategy. Positive examples include the laws on access to information, on the origins of property, on political parties, on public procurement and on the Central Registry of Contracts. New public procurement legislation requires the winning supplier to disclose information on its ownership structure, right up to the ultimate beneficial owner. An amendment to the law on conflicts of interest introduced a central electronic registry of interest declarations and required all public officials to file declarations on taking up office. However, pe-

1. Improve the long-term fiscal sustainability, in particular of the pension system. **Address weaknesses in public procurement practices,** in particular by enabling more quality-based competition and by implementing anti-corruption measures.

**Limited Progress:**

**No Progress.** Recent measures increase pension adequacy but are not coupled with policies that improve long-term sustainability. The government made pension indexation more generous by taking into account one half (rather than the previous one third) of real wage growth. It will also top up pensions with CZK 1 000 for all pensioners over 85 years and increase the flat rate part of the pensions from 9 % to 10 % of the average wage. These measures will likely increase costs further and worsen the sustainability indicator (S2) by around 0.2 to 0.3 pps of GDP in the long term. While the government agreement mentions pension reform among its priorities, it is unclear what reforms are envisaged and if they can improve the sustainability of the pension system. The projected increase in age-related public expenditure on healthcare also reduces long-term fiscal sustainability. Public expenditure on healthcare is projected to increase by 1.1 pps of GDP by 2070, above the EU average increase of 0.9 pps. Taking into account the impact of non-demographic drivers, it may increase by 1.9 pps of GDP by 2070, 0.3 pps above the EU average.

**Some progress.** There has been some progress in addressing weaknesses in public procurement practices. Nonetheless, apart from an improved
nalities are mainly financial. An amendment to the law on the Central Registry of Contracts introduced further exceptions in July 2017, so that the law no longer covers a large part of contracts by state and municipality-owned enterprises. This raises further concerns about transparency in public procurement. Some areas still remain unaddressed by the anti-corruption strategy. In particular, the limited role of the state audit office, the lack of supervision of state-owned companies (now excluded from the scope of the Central Registry of Contracts), and gaps and inefficiencies in the conflict of interest registry remain challenges for the next action plan. Moreover, plans to revise lobbying legislation and to introduce specific legislation on whistle-blower protection failed to materialise under the previous term of the Parliament.

**Some progress.** Steps were taken in 2017 to improve the legal and administrative framework for public procurement. Following the transposition of the modernised public procurement directive in 2016, the conflict of interest registry has been operational since September 2017 and a new law on identifying beneficial owners was to enter into force in January 2018. These measures should, in time, improve transparency and integrity in public procurement. However, the proportion of public procurement contracts awarded in a procedure that attracted only one bidder has been increasing over time and reached 47% in 2017, while it was 19% in 2014. On the other hand, the percentage of contracts awarded without a call for tenders and structured public procurement training system and increased cooperation of contracting authorities with professional authorities, annual procurement indicators do not evidence so far any improvement of public procurement practices in terms of quality based competition. Nevertheless, the effort goes into the right direction, even if the results may take more time to show. Anti-corruption measures have been planned but adoption by the Parliament has been long outstanding.
<table>
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<tr>
<th>2. Remove obstacles to growth, in particular by streamlining procedures for granting building permits and further reducing the administrative burden on businesses, by rolling out key e-government services, by <strong>improving the quality of R&amp;D</strong> and by fostering employment of underrepresented groups.</th>
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<td><strong>Some progress:</strong></td>
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<td><strong>Some progress.</strong> To accelerate the permit procedure, an amendment to the Construction Act was adopted in mid-2017 and is effective from January 2018. One of its main features is the option of including the environmental impact assessment in the zoning decision or in the joint zoning and building permit. This is a positive development, as it reduces extra administrative steps. However, developers doubt that the amendment will make a difference to the new construction projects, mainly because various other authorisations are not included in joint permitting. This makes the simpler procedure unworkable for large infrastructure projects. Also, there is no obligation to use the integrated permitting procedure.</td>
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<td><strong>Some progress.</strong> The measures taken are showing some results but most are still at an early stage of implementation. In 2017 two laws on secure access to e-government services have been adopted, with the national e-ID planned to be introduced in July 2018.</td>
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<td><strong>Some progress.</strong> Reforms to improve the quality of public R&amp;D have been launched, but have not yet been fully implemented. An example is the new evaluation methodology (Metodika 17+) which was adopted in 2017 and should be gradually implemented until 2019. The August 2017 proposal for a new law on the support of research, development and innovation was put on hold.</td>
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<tr>
<td><strong>2. Reduce the administrative burden on investment,</strong> including by speeding up permit procedures for infrastructure work. <strong>Remove the bottlenecks hampering research,</strong> development and innovation, in particular by increasing the innovation capacity of domestic firms. <strong>Strengthen the capacity of the education system</strong> to deliver quality inclusive education, including by promoting the teaching profession. <strong>Foster the employment of women, the low-skilled and disabled people,</strong> including by improving the effectiveness of active labour market policies.</td>
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<td><strong>Some progress:</strong></td>
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<tr>
<td><strong>Some Progress.</strong> An amendment to the current legislation has the potential to shorten and improve the effectiveness of permits proceedings involving the awarding of permits related to strategic infrastructure. Furthermore, a new construction law is being prepared and is expected to be finalised by 2023.</td>
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<td><strong>Limited progress.</strong> The announced 'Investment package', if well designed, could attract higher value investments in the country and thus strengthen the potential for innovation. At the same time, the recent changes in the R&amp;I policy governance and the design of Metodika 17+ are unlikely to significantly improve R&amp;D performance. The Czech Republic remains a ‘moderate’ innovator with a performance of around 80% of the EU average. Despite the Czech economy gradually shifting towards more knowledge-intensive activities also thanks to EU funding, the proportion of innovative Czech firms is lagging behind the EU average. Bottlenecks exist on the supply side as well, mainly related to the generally low attractiveness of the public research systems when compared internationally, the shortage of skilled researchers and a lack of incentives for collaboration with businesses.</td>
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<td><strong>Some Progress.</strong> A number of measures to improve the system have been taken but their impact will depend on implementation. Regarding the...</td>
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*teaching profession, its attractiveness remains low and further efforts are needed to better promote it and to attract and retain talented young people.*
**1. Foster competition in the domestically oriented services sector.**

The government has adopted reforms concerning the retail and transport sectors, hence some progress in this area. Following the mapping of standards in 2015, the modernisation of the law on electrical installations in 2015, and the 2018 update of the building regulation to simplify procedures there is some progress in increasing competition in the construction sector. However, weak competition continues to prevail in several other services sectors, such as finance, distribution of utilities and pharmacies, healthcare and legal profession. In these sectors none or limited progress was made.

**Assessment of implementation of 2017 CSRs**
March 2018

**2017 CSRs**
SGP: -
MIP: -

**2018 CSRs**
SGP: -
MIP: -

**Assessment of implementation of 2018 CSRs**
February 2019

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**1. Increase competition in domestically oriented services sectors**, for instance in the distribution of utilities and in the financial sector.

Some progress:

In 2018, Denmark has implemented measures to enhance competition in the financial sector. Moreover, Denmark has continued its work with implementing the utilities strategy. Political agreements on measures in the water and sewage water sector were reached in October 2018.
### 2017 CSRs
**SGP:** -  
**MIP:** CSR 1, 2

| Assessment of implementation of 2017 CSRs | 2018 CSRs  
**SGP:** -  
**MIP:** CSR 1, 2 |
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#### Limited progress

**Limited progress** has been made in achieving a sustained upward trend in investment. The public investment share of GDP for 2017 remained largely unchanged compared to the two years before.

June 2017: The federal government decided to invest additional funds in transport infrastructure in 2018.

August 2017: Additional funding of the Municipal Investment Promotion Fund for modernizing school buildings including digital infrastructure.

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### 2018 CSRs

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#### Limited progress

**Limited progress** has been made in achieving a sustained upward trend in public and private investment, and in particular on education, research and innovation at all levels of government, in particular at regional and municipal levels. Step up efforts to ensure the availability of very high-capacity broadband infrastructure nationwide. **Improve the efficiency and investment-friendliness of the tax system. Strengthen competition in business services and regulated professions.**

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1. **While respecting the medium-term objective, use fiscal and structural policies to support potential growth and domestic demand as well as to achieve a sustained upward trend in investment.** Accelerate public investment at all levels of government, especially in education, research and innovation, and address capacity and planning constraints for infrastructure investments. Further **improve the efficiency and investment-friendliness of the tax system. Stimulate competition in business services and regulated professions.**

**Limited progress** 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.

The reallocation of financial responsibilities between the state and the federal levels can somewhat improve the availability of funding at the national level. However, efforts to ensure the availability of very high-capacity broadband infrastructure nationwide are still needed. **Improve the efficiency and investment-friendliness of the tax system. Strengthen competition in business services and regulated professions.**

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1. **While respecting the medium-term objective, use fiscal and structural policies to achieve a sustained upward trend in public and private investment, and in particular on education, research and innovation at all levels of government, in particular at regional and municipal levels. Step up efforts to ensure the availability of very high-capacity broadband infrastructure nationwide. **Improve the efficiency and investment-friendliness of the tax system. Strengthen competition in business services and regulated professions.**

**Limited progress**

**Some Progress.** Overall, the investment situation shows signs of improvement, but further action is still needed. Public investment in 2018 grew by 7.7 % nominally and by 3.8 % in real terms. This represents a noticeable increase compared to past years and the long-term average. However, given the backlog especially at municipal level, public investment still needs greater efforts to maintain the capital stock. This could be achieved, in particular by addressing planning constraints as well as the high regional differences of public investment, which suggest that the current fiscal set up does not yet provide all municipalities with sufficient financial resources and staff to significantly step up their investment levels. Private investment has increased noticeably as well, but not across all asset types. Equipment investment has grown robustly in response to record high capacity utilisation. Housing investment continues to boom even if the construction sector reports capacity constraints and price increases. Non-residential construction has been increasing sluggishly in real terms, suggesting that essential infrastructure may not have kept up with the economy’s needs.
June 2017: The base law was modified to adjust the allocation of responsibilities and funding between the state vs the federal level, from 2020.

**Limited progress** has been made in increasing public expenditure on research and innovation and no additional measures have been taken in this regard. Despite some nominal increases, public expenditure on R&D has remained at around 0.9 % of GDP in recent years and total public and private expenditure remained at around 2.9 % of GDP in 2015 and 2016.

**Some progress** has been made:

Spring 2017: To support public investment on municipal level, the service agency ("Partnerschaft Deutschland – Berater der öffentlichen Hand GmbH") did take up its operational work in 2017.

**No progress.** No additional measures have been taken to improve the efficiency and investment-friendliness of the tax system. Implementation of measures taken in the past is on-going. On 1 January 2017 most provisions of the Act on the Modernisation of Taxation Procedures became effective (Federal Law Gazette I 2016 no. 35, p. 1679). It has the potential to enhance the role of IT and automated procedures relieving administrative and compliance burden of tax administrations and taxpayers. It is too early to assess the actual impact of the new law. Its full roll-out will stretch over a period of six years.

**Limited Progress.** Spending rose in real terms but remained flat as a share of GDP at 4.2%. Important investment were announced in the coalition agreement. However, the investment backlog in education is by now bigger than in other sectors at municipal level. Legislative changes for direct government investment in the Länder is put on hold, with a stalling effect on important investments in education infrastructure and other projects (digital education).

**Some Progress.** R&D intensity increased from 2.71 % of GDP in 2010 to 3.02 % in 2017. The national (and EU) target of 3 % has thus been achieved. In real absolute terms, growth was also faster than the EU average. While expenditure by the business sector grew faster than spending by the government and the higher education sectors, R&D intensity in the business sector also expanded faster in pps (from 1.82 % in 2010 to 2.09 % of GDP in 2017) than in the public sector (where it increased from 0.89 % of GDP in 2010 to 0.93 % in 2017).

**Limited Progress.** Overall, there are encouraging announcements to improve the nationwide broadband infrastructure, but so far only small steps have been taken regarding their implementation. Germany is lagging behind in the deployment of very high-capacity broadband on a national level, and particularly in rural areas. The market share of fibre optics connections was still at a very low level of only 2.1 % in July 2017, compared to a significantly higher EU average of almost 12.9 %. Concerning take-up rates for ultrafast connections (DAE target III), 11.1 % of
**Limited progress** has been made regarding measures to stimulate competition in business services and regulated professions.

German households subscribe to 100 Mbps or more. This is way below the EU average of 15.4%. The Federal Government has acknowledged the problem and has taken first steps to address it. The special 'Digital Infrastructure' fund was announced and EUR 2.4 billion was allocated from the 2018 federal budget. Moreover, a Gigabit Investment Fund of EUR 10-12 billion was included in the coalition agreement of the parties forming the federal government, to be spent by 2021 (i.e. in the next four years) in order to roll out gigabit infrastructure. If implemented, this could be a big step towards a more future-proof digital infrastructure in Germany.

**Limited Progress.** Overall, there is still more action needed to improve the efficiency and investment-friendliness of the tax system. Although some measures are expected to lead to improvements, the most important distortions are not fully addressed, the tax system overall remains complex and the marginal tax burden on new investments or for taking up (additional) work is still high. After some improvements in this area in recent years, relatively little progress has been made over the past year. Germany adopted a reform designed to modernise and automate tax administration procedures in 2017, but this is still in the process of being implemented. As of 2018, Germany simplified the tax treatment of mutual investment funds and their investors. At the same time, it removed some restrictions on offsetting losses when...
loss-making companies are bought by new investors. It remains to be seen if these two new measures can actually trigger additional real investment.

**Limited Progress.** Barriers to competition in business services remain high in comparison with other EU Member States. Data on business dynamics and profitability are suggesting lower competitive pressures in key business services sectors such as legal, accounting, architectural and engineering activities, which lead to higher mark-ups. Professional services are still overregulated, where exclusive rights, compulsory chamber membership, and regulation on prices and fees stifle competition. This is problematic given the high share of services inputs in the German manufacturing industry. Changes in the regulation of services could boost economic activity and investment in Germany. Policy actions to stimulate competition in business services and regulated professions have not been recorded, with the exception of minor measures as a follow-up to individual court decisions concerning the professions of lawyers and tax advisors.

| 2. Reduce disincentives to work for second earners and facilitate transitions to standard employment. **Limited progress.** | Limited progress has been made in reducing disincentives to work for second earners and facilitate transitions. |
| 2. Reduce disincentives to work more hours, including the high tax wedge, in particular for low wage and second earners. **Create conditions.** | Create conditions to promote longer working lives. **Create conditions.** |

### Limited progress:

### Some progress:

A number of measures were taken to reduce disincentives to work more hours. From 2019, the mid-
**Real wage growth**, respecting the role of the social partners.

To standard employment. The Act for Combating Tax Avoidance was adopted in June 2017 and entered into force as of 1 January 2018 (Federal Law Gazette I p. 1682). Tax brackets IV/IV become the standard tax bracket for married couples. Further work is also done to raise awareness of the factor-based method.

**Limited progress.** No further measures were taken - though the law on temporary agency work and work contracts entered into force in April 2017, after its adoption autumn 2016. This provides equal pay after nine months of working in the sector and the introduction of a maximum transitional period of 18 months after which temporary agency workers must be hired by the company.

**Limited progress** has been made with reducing the high tax wedge for low-wage earners, that was due to the good economic situation, without further specific action. In October 2017, it was decided to reduce the supplementary contribution rate to the regular health insurance system by 0.1 pp to 1.0 %, from 2018. In November 2017, it was decided to reduce employee’s pension contributions by 0.1 pp to 18.6 % from 2018, a small decrease due to higher revenues in the currently good economic situation, not a structural change. Measures reducing the tax wedge in general were adopted in 2016 and entered into force on 1 January 2017 and 1 January 2018. These comprise successive increases in the tax-free basic and child allowances, the child benefit to promote higher wage growth, while respecting the role of the social partners. **Improve educational outcomes and skills levels of disadvantaged groups.**

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**Limited progress.** As of 2019, the social security burden on self-employed people has been reduced, as their monthly minimum health insurance contribution will fall from EUR 360 to EUR 160. The family benefit supplement, responsible for high marginal effective tax rates for certain family types, such as single earners with children, will be phased out more gradually when earned income increases, instead of full withdrawal at the cut-off point. Unemployment contributions will be reduced by 0.5 pps from 2019; however, this will be counterbalanced by a 0.5 pps increase in the long-term care contribution rate. The reintroduction of the rule requiring employers and employees to pay equal contributions to statutory health insurance will result in an average reduction of 0.5 pps in contributions for employees and pensioners, thereby increasing take-home pay and unit labour costs. However, as this is counterbalanced by an increase in employers’ contributions, the effect on the tax wedge is neutral. The increase in the basic personal allowance in 2019 appears to roughly match inflation, so it will not result in an effective reduction in taxation.
and the supplementary child allowance, as well as measures to contain the fiscal drag, from which low wage earner benefit below average.

**Limited progress** regarding promoting real wage growth.

**May 2017:** The federal government adopted an ordinance, setting out minimum wages for agency workers, following up on earlier rules, with entry into force from June 2017.

**July 2017:** The federal government adopted an ordinance setting out minimum working conditions including minimum wages in the long term care sector, updating the existing regulation, with entry into force from November 2017.

**Limited Progress.** Some efforts have been recorded to promote the use of the alternative factor method (Faktorverfahren) to tackle the high marginal tax rates on take-home pay for the second earner, given the current set-up of joint income taxation for married couples. However, disincentives to working more hours persist. In addition to the joint taxation framework, these include a persistent supply gap in the provision of full-time quality childcare.

**Limited Progress.** The increases in pension entitlements for women with children born before 1992 (Mütterrente II) and for people with disability pensions (Erwerbsminderungsrente) are expected to improve pension adequacy for these groups. Yet neither these measures, nor the double pension stop line—setting a minimum benefit rate and maximum contribution rate until 2025— are expected to promote longer working lives. There is no official assessment yet of the impact of the flexible retirement reform, which entered into force in 2017, and the Pension Commission’s proposals for increasing pension system sustainability and adequacy are not expected until March 2020.

**Some Progress.** Nominal wage growth accelerated to 3.2% in 2018. However, real wage growth has not yet picked up. Some measures have been taken to support wage growth, while the effect of earlier measures has tended to fade away. Earlier policy measures, such as the introduction of the general statutory minimum wage in 2015, had a substantial impact on wage growth. However, by now, low wages have
largely adjusted and the increase in the minimum wage currently sends limited price impulses, which is also reflected in the reduction of the wage drift. Collective bargaining coverage continued to decline in 2017. A collective agreement was reached for public employees at the federal and the municipal level, affecting about 2.3 million workers directly and 300 thousand workers indirectly. The agreement, which runs for 30 months from March 2018, stipulates wage increases and lump-sum payments, which, taken together, will yield about 3.0 % of annualised nominal wage increase. This is about 0.6 pps higher annualised than the previous wage agreement for the sector, which is somewhat below the increase in inflation since the previous agreement was reached in early 2016.

**Limited Progress.** Several measures to improve equity are being implemented by the Länder. However, socio-economic and/or migrant background still strongly impact educational participation and outcomes. Recent national sources on education mark insufficient progress over time. Remedial measures, such as increasing the number of all-day schools, are threatened by serious shortages of teaching staff.
### Assessment of implementation of 2017 CSRs
March 2018

1. Pursue its fiscal policy in line with the requirements of the preventive arm of the Stability and Growth Pact, which entails remaining at its medium-term budgetary objective in 2018. Improve the adequacy of the social safety net. **Take measures to reduce the gender pay gap**, in particular by improving wage transparency and reviewing the parental leave system.

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

- **Some progress**. Some steps are being taken to provide more adequate pension for pensioners living alone, higher and more flexible subsistence allowance and higher family allowances. Despite recent measures, social safety nets still do not provide adequate income support and the increasing share of the population at risk of poverty is a concern. The actual impact of the recent reforms therefore requires proper monitoring and assessment. The inadequacy of financing is the highest for pensions, disability benefits and long-term care services.

- **Some progress** was made regarding reducing the gender pay gap. Modifications to the parental leave system and parental benefits were adopted by the Parliament, implementation from 2018 onwards in steps. Amendments to the Gender Equality Act with a view to improving transparency of wages are planned to be adopted by the government in Spring 2018.

### Assessment of implementation of 2018 CSRs
February 2019

1. Ensure that the nominal growth rate of net primary government expenditure does not exceed 4,1 % in 2019, corresponding to an annual structural adjustment of 0,6 % of GDP. **Improve the adequacy of the social safety net**, in particular for older people and people with disabilities. Take measures to reduce the gender pay gap, including by improving wage transparency in the private sector.

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

- **Some Progress**. Estonia has achieved some progress in providing a more adequate social safety net. The subsistence level for the first household member, the basic income tax allowance and the pensions through indexation were increased. Furthermore, to reduce the poverty risk of pensioners living alone, one-time allowance of EUR 115 was paid in 2017 and 2018. The parental pension supplement was introduced. The situation of disabled is improving as the Work Ability reform helps them to return to the labour market and thus increase their income. In addition, the reform of the first pillar pension scheme has introduced – among others – a change that from 2021 the calculation of the pension index will add more value to the years worked, raising the income of low wage earners; and as from 2027 the retirement age will be linked to life expectancy. The minimum income scheme does not protect people from falling below the absolute poverty line. Furthermore, providing good quality and affordable social services remains a challenge.

**Some Progress**. Estonia has achieved some progress in taking measures to
planned to be adopted by the government in Spring 2018. Some progress. Modifications to the parental leave system and parental benefits were adopted by the Parliament, implementation from 2018 onwards in steps.

address gender pay gap. The first phase of the parental leave and benefit system reform is already being implemented. The second phase of the parental leave and benefit system was adopted in October 2018. The change to the Gender Equality Act introducing a pay transparency requirement for the public sector is in the Parliament awaiting second reading. The gender pay gap is decreasing but remains among the highest in the EU.

| 2. Promote private investment in research, technology and innovation, including by implementing measures for strengthening the cooperation between academia and businesses. | Some progress: Estonia put in place various measures to increase the potential for private investment but the impact of these measures to date has been limited. Some progress. Measures were put in place and their implementation is on the way, but it is not yet possible to assess the effectiveness of the new measures compared to the earlier measures. | Some progress: Estonia introduced some new initiatives in 2018 to address the country-specific recommendation. These include funding schemes to support product development in companies, the commercialisation of breaking scientific results, and digitalisation in the industry. The impact of the measures remains to be seen. So far, measures introduced in the previous years (innovation and development vouchers, ADAPTER, NUTIKAS) had limited impact. The innovation performance of small and medium-sized enterprises creating new products, introducing innovation in processes and innovating inhouse remains well below the EU average. Estonia’s performance is low, both as regards business R&D investment, which amounts to only half the EU average, and as regards the proportion of companies that report carrying out research activities. | Some progress: 2. Promote research and innovation, in particular by providing effective incentives for broadening the innovation base. |
### IE

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#### 2017 CSRs

1. **Pursue a substantial fiscal effort in 2018 in line with the requirements of the preventive arm of the Stability and Growth Pact.** Use any windfall gains arising from the strong economic and financial conditions, including proceeds from asset sales, to accelerate the reduction of the general government debt ratio. **Limit the scope and the number of tax expenditures and broaden the tax base.**

**Some progress** (the overall assessment of the CSR1 does not include an assessment of compliance with the Stability and Growth Pact):

**Some progress.** The proceeds from the sale of government’s shares in state-owned banks have been used to reduce public debt and the National Asset Management Agency recently redeemed, three years ahead of target, the final EUR 500 million of the government-guaranteed debt. In December 2017, the Irish authorities repaid the outstanding IMF loans, together with the bilateral loans from Denmark and Sweden, early and in full.

**Limited progress.** Some of the measures in the Budget do not contribute to expanding the tax base: the increases to tax credits for self-employed and home carers, the creation of a stamp duty refund scheme for residential land, the reduction from seven to four years of the holding period to qualify for the capital gains tax exemption on certain property assets, the tapered extension of mortgage interest relief for the remaining recipients, the fiscal incentive for certain types of share-based remunerations, or the decision to extend the universal social charge relief for medical card holders for another two years. Conversely, the reduced cap of 80% on the amount of capital allowances for

#### 2018 CSRs

1. **Achieve the medium-term budgetary objective in 2019.** Use windfall gains to accelerate the reduction of the general government debt ratio. **Limit the scope and the number of tax expenditures, and broaden the tax base.**

**Limited Progress** (the overall assessment of the CSR1 does not include an assessment of compliance with the Stability and Growth Pact):

**Limited Progress.** Budget 2019 estimates some receipts from the return of funds set aside for the resolution of the financial crisis, including the winding down of the National Asset Management Agency. However, no measures have been adopted so far to use these to reduce the debt.

**Some Progress.** The measure with the biggest positive impact is an increase in the lower value-added-tax rate on hospitality, from 9% to 13.5%. Furthermore, the vehicle registration tax relief granted for certain leased vehicles will be suppressed and the scope of the sugar sweetened drinks tax will be moderately widened. At the same time, some Budget 2019 measures actually increase tax expenditures and narrow the tax base, e.g. personal income tax is cut by changing bands and increasing certain tax credits, as is the universal social charge through band and rate changes. Diesel is still taxed at a lower rate both in terms of carbon and energy content, even though it emits more air pollutants

**Limited Progress.** Despite some measures to increase the cost-effectiveness of healthcare, expenditure has continued to increase at a fast rate.
intangible assets and the introduction of a new tax on sugar sweetened drinks can potentially broaden the tax base.

The ambitious Sláintecare reform represents a credible vision for making the health system universally accessible and sustainable. However, its implementation is endangered by the health system’s difficulties in addressing the duplicate health insurance market and effectively managing its own budget, performance and workforce in the short term. The Roadmap for Pension Reform, published in 2018, aims to address the long term sustainability of the state pension system. However, the envisaged reforms have not yet been finalised.

### 2. Better target government expenditure, by prioritising public investment in transport, water services, and innovation in particular in support of SMEs. Enhance social infrastructure, including social housing and quality childcare; deliver an integrated package of activation policies to increase employment prospects of low-skilled people and to address low work intensity of households.

**Some progress:**

Some progress has been made in enhancing the quality of expenditure through a new spending review. Public investment continues to recover while addressing key infrastructure bottlenecks. A Water Service Act has been adopted that provides for the current domestic water charging regime to be discontinued and for this to be replaced by a regime where general taxes fund domestic water services.

Some progress has been achieved in the provision of innovation infrastructures to SMEs, in particular as regards the creation of Technology Centres. Ireland has an ambitious infrastructure investment plan for education at all levels.

**Some progress.** The government is adopting an array of measures to support housing supply, including increasing the provision of social housing units. Childcare costs remain elevated and according to recent OECD

### 2. Ensure the timely and effective implementation of the National Development Plan, including in terms of clean energy, transport, housing, water services and affordable quality childcare. Prioritise the upskilling of the adult working-age population, with a focus on digital skills.

**Some progress:**

Some progress. Some of the governance structures, funds and tools to deliver the National Development Plan have already been set up and implementation has started. However, the government has not put in place a performance framework which translates the plan objectives into specific and measurable targets (result indicators) and defines the necessary interventions to be annually delivered for their attainment (output indicators). The absence of this framework will make it difficult to ensure the timely and effective implementation of the plan and to assess the capacity that the national, regional and local departments require for their implementation. The implementation of the plan may also benefit from a robust project selection system which assesses their value for money and alignment with the output and result indicators of the plan.
figures are the highest in the EU. Despite high participation in early childhood education and care (ECEC), its accessibility, affordability and full-time provision remain problematic. The ECEC participation rate in Ireland was 92.7% in 2015 against the EU average of 94.8%. Attendance fell by 5.4 pp percentage points (pps.) since 2013, and the availability and cost of full-time provision are still problematic. The quality of ECEC is supported by Síolta, the national quality framework for the sector, and by Aistear, a curriculum framework published by the National Council for Curriculum and Assessment (NCCA). In August 2016, a National Collaborative Forum for the sector was created. This facilitates engagement with stakeholders on issues of concern and on policy and delivery. There have been important changes to the minimum qualifications required for staff in the sector, and a reorganisation of the inspection system for pre-schools in order to help children with disabilities fully participate. From December 2016 all staff working directly with children must hold at least a level 5 qualification (‘major award in early childhood care and education’). More funding is available to services where the preschool leader has a pre-school award in ECEC at level 7 on the national qualifications framework and the assistants have achieved a minimum level 5 award.

**Some Progress.** With the Action Plan for Jobless Households, IE has taken important steps to expand the labour force, combat joblessness and ensure that the inactive households are equipped with

Some Progress. A new policy framework for further education and training and skills development of people in employment was launched in September 2018. Employees, particularly those in vulnerable jobs, will be able to access upskilling and reskilling opportunities directly at work, through engagement with companies, mainly SMEs, and as part of regional economic development strategies. The Agency for upskilling those in employment (SkillsNet) will also be reinforced. The new pilot programme EXPLORE aimed at increasing lifelong learning participation rates and offering upskilling opportunities for adults concerning also digital skills, was also launched in 2018.
the skills required on the labour market. How the plan will be put into effect and implemented is still to be seen. A more holistic approach to support provision for the inactive households could be sought considering the diverse needs of this group and integration of services across areas could be recommended for the whole target group. In general the Action Plan is rather weak in terms of defining the personalised services to be designed. More flexibility would need to be included in the training and education offers provided.

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<tr>
<th>3. Encourage a continued and more durable reduction in non-performing loans through resolution strategies that involve write-offs for viable businesses and households, with a special emphasis on resolving long-term arrears.</th>
<th>Some progress: The reduction of NPLs continues but perhaps not as quickly as one would have expected given the economic performance of IE in recent years. It is difficult to establish to what extent the reduction in NPLs is the result of policy measures or just the consequence of the upturn in the business cycle. The pace of NPL reduction has slowed somewhat as the most difficult cases are proving sticky. The nature of impaired loans restructuring is such that it requires time to show whether arrangements put in place are truly sustainable and resilient to changes in the interest rate environment. Several policy measures have been introduced to support the engagement of debtors in distress and increase the number of personal insolvency arrangements, but the take-up remains overall limited.</th>
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<td>3. Foster the productivity growth of Irish firms, and of small and medium enterprises in particular, by stimulating research and innovation with targeted policies, more direct forms of funding and more strategic cooperation with foreign multinationals, public research centres and universities. Promote faster and durable reductions in long-term arrears by the use of secondary markets, building on initiatives for vulnerable households and, where necessary, using write-offs of non-recoverable exposures.</td>
<td>Some progress: Limited Progress. Some measures have been introduced. A key step is the announcement of the EUR 3.16 billion capital funding under the ‘Business, Enterprise and Innovation Priority Investments’ to projects highlighted in Project Ireland 2040 over the five years until 2022. The third Innovation 2020 Progress Report outlines advances made in delivering the 140 actions. A Disruptive Technologies Innovation Fund has been endowed with EUR 500 million and the first call for proposals launched. Yet the R&amp;D efforts of most domestic firms continue to be moderate, tax credits remain the main instrument of public R&amp;D support (accounting for 80% of total public R&amp;D spending) and science-business linkages continue to be weak. Public expenditure in R&amp;D has decreased from EUR 951 m in 2016 to EUR 907 million in 2017. Measures have been announced to produce a new ‘Future Jobs’ programme that would enact measures specifically</td>
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<th>Targeted to increase productivity growth of Irish firms and diversify exports.</th>
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<td><strong>Substantial Progress.</strong> The pace of NPL reduction is picking up pace as the banks have sold, or agreed to sell, a significant portion of their NPL stocks. With these, the headline NPL ratio (ECB data) should decline to around 7% by mid-2019. However, risks remain. Although some of the disposed assets include long-term mortgage arrears, the size of the latter remains high, both in percentage and absolute terms. Also, a potential worsening in economic conditions, especially given the uncertainty over the UK’s departure from the EU in 2019, could result in an above-average worsening of credit quality for restructured loans, even those that have transitioned into performing status. Several recent policy initiatives, mostly launched by opposition parties, may hamper the recent positive developments. Meanwhile, the take up of the Enhanced Mortgage-to-Rent scheme, which was introduced in 2017 to support vulnerable debtors that are in deep distress, is improving, although it is too early to tell if the measure will have a meaningful impact. In turn, the take up insolvency procedures continues to be relatively dismal.</td>
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1. **Ensure compliance with the Council Decision of 8 August 2016**, including also measures to strengthen the fiscal and public procurement frameworks. **Undertake a comprehensive expenditure review** in order to identify possible areas for improving spending efficiency.

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

**Limited progress.** While the government has kept implementing measures set out in the domestic law to prevent and correct deviations from fiscal targets, no regulatory measures have been taken in 2017 to increase their automaticity and to strengthen the contribution of the Stability Law's spending rule to public finance sustainability.

**Some progress.** A new law on public procurement was adopted and will enter into force on 9 March 2018. It provides for the establishment of a consultative body, a committee to promote cooperation across the various tiers of government, and a new supervisory authority. For the first time, it stipulates the obligation to adopt, within eight months following the entry into force of the law, a nation-wide public procurement strategy. Much of the success of the new law will depend on the ambition of decisions taken at the time of implementation.

**Some progress.** A review of central and regional government expenditure has been launched in 2017 to identify areas where spending allocation can be made more efficient. The first phase of the review is planned to be completed by end-2018.

1. **Ensure compliance with Council Decision (EU) 2017/984 giving notice under the excessive deficit procedure**, including through measures to enforce the fiscal and public procurement frameworks at all levels of government. Thereafter, **ensure that the nominal growth rate of net primary government expenditure does not exceed 0.6 % in 2019**, corresponding to an annual structural adjustment of 0.65 % of GDP. Use windfall gains to accelerate the reduction of the general government debt ratio.

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

**No Progress** in strengthening the fiscal frameworks

**Limited Progress.** A new law on public procurement introducing measures to enhance competition and ensure transparency and effective control mechanisms came into force on 9 March 2018. There are still not enough available data to allow a sound assessment of its impact yet. The set-up of the new governance structure, established under the new law, is ongoing. The elaboration of the Public and Procurement Strategy is still pending.
2. Reinforce the coordination between regional employment services, social services and employers, to better respond to jobseekers’ and employers’ needs. Take measures to promote hiring on open-ended contracts. 

**Limited progress.** Some progress. Some regions advanced moderately towards better coordination between public employment and social services. However, cooperation with employers still presents important deficiencies. The Network for Social Inclusion has the potential to effectively enhance coordination between employment and social services at the national and regional level. The Network for Social Inclusion has the potential to effectively enhance coordination between employment and social services at the national and regional level. The roll-out of the Universal Social Card starting in 2018 should also facilitate closer coordination. Overall the scope of measures is limited and their effect can only be assessed once implementation has begun.

**Limited progress.** While Spain became more successful in fighting the abuse of temporary contracts, most efforts to promote hiring on open-ended contracts have shown limited effectiveness so far or have not yet moved to implementation stage.

**Limited progress.** While fragmentation has been mitigated to some extent, initiatives intended to address limited effectiveness in national income guarantee schemes are progressing very slowly.

**Limited progress.** Measures to increase labour market relevance of tertiary education are so far largely limited to provision of information and advice, or too recent to measure effects on graduate cohorts.

2. Ensure that employment and social services have the capacity to provide effective support for jobseekers, including through better cooperation with employers. Foster transitions towards open-ended contracts.

**Limited Progress.** Spain has slightly but steadily increased the economic and human resources of regional public employment services since 2017 and approved a technical guidance to better provide services to jobseekers. The new government launched an Action Plan for Youth Employment that includes a budgetary allocation to hire 3 000 new staff to increase support and guidance for young unemployed. However, total public employment services staff and expenditure are still lower than before the crisis. The performance of the public employment services is uneven across regions. Measures to provide individualised services to jobseekers, including through profiling and IT tools, are still in an initial phase. Furthermore, Spain had in 2017 the lowest share in the EU of unemployed people using public employment services for job search.

**Some progress.** Spain approved in July 2018 an Action Plan to tackle the sources of labour market segmentation. In addition, the capacity of labour inspectorates to fight the abuse of temporary contacts and undeclared work was further strengthened. However, temporary contracts are still widely used and there are doubts about the effectiveness of existing incentives to promote open-ended employment. In the public sector, recruitment competitions are ongoing to reduce fixed-term employment down to 8 % in all sectors. However, estimates show still high shares of temporary employees in the public sector.
Limited progress. Regional disparities persist in early school leaving rates and student performance, although some improvements have been made to close the gap between best and worst performing regions.

Limited Progress. The poverty-reducing impact of social transfers (other than pensions) remains one of the lowest in the EU, especially for children. Meanwhile, the share of poor working age people living in jobless households in receipt of benefits is well below the EU average and public spending on family benefits is almost half of the EU average. Fragmentation and disparities in access conditions across regions continue to undermine the effectiveness of the multiple income guarantee schemes. The new Universal Social Card envisages collecting information from central, regional and local government on all benefits and recipients, but it will not directly address the weaknesses of the existing schemes.

Limited Progress. Despite having improved, early school leaving rates are still high and regional disparities persist. The early school leaving rate is still well above the EU average and the national Europe 2020 target, with a difference of 20 pps. between the best performing and the worst performing regions. In the absence of effective policy measures, there is a risk that labour market improvements create negative incentives for young people to drop out of school prematurely. Existing coordination schemes between national and regional administrations are not sufficient to address regional disparities in education and training outcomes.

Limited Progress. Spain made limited progress in increasing public investment

| 3. Ensure adequate and sustained investment in research and innovation and strengthen its governance across government levels. | Limited progress. Public funding for innovation in SMEs somewhat increased, | 3. Increase public investment in research and innovation and systematically carry out evaluations of support policies in this area to ensure | Limited progress. |
**Ensure a thorough and timely implementation of the law on market unity** for existing and forthcoming legislation.

but fiscal measures put in place during the crisis appear to limit the adequate execution of R&I budget lines. Administrative procedures are being modified to encourage uptake of support measures. Involvement and interaction of relevant actors in the design of innovation policy is being intensified. Examples of initiatives include the work to increase the efficiency of "Unique Scientific and Technical Infrastructures" (ICTS) through a second mapping, and increased support for the R+D+I Public Policy Network (REDIDI), which has the potential to improve national-regional coordination of R&I policy. Systematic programme evaluations, however, have not yet become the rule despite some good practice examples.

**Limited progress.** Supporting guidelines for implementing the law on market unity have been issued, but the renewed commitment of regions and the central government to mutual cooperation on market unity and better regulation in Spain has so far not translated into tangible results. The Constitutional Court rulings on the Law on Market Unity might limit effective progress in this area for the time being. National authorities have given reassurances that it will be possible to achieve the objectives of the law using the provisions unaffected by the rulings.

Further the implementation of the Law on Market Unity by ensuring that, at all levels of government, rules governing access to and exercise of economic activities, in particular for services, are in line with principles of that Law and by improving cooperation between administrations.

**Limited Progress.** Cooperation between universities and businesses remains weak, albeit improving, with initiatives to increase business participation in the decision-making process. Despite the high tertiary education attainment, skills supply is not sufficiently aligned with labour market needs. Matching initial vocational education and training (VET) with labour market needs is still a challenge in Spain. Spain lacks enough skills for smart specialisation, industrial transition and entrepreneurship.

**Limited Progress.** Some measures were taken to implement the Law on Market Unity with however limited effect. Measures include work on sectorial conference, training on the implementation of the law. Several favourable court rulings applying this Law were passed during this period.

| Ensure a thorough and timely implementation of the law on market unity for existing and forthcoming legislation. | but fiscal measures put in place during the crisis appear to limit the adequate execution of R&I budget lines. Administrative procedures are being modified to encourage uptake of support measures. Involvement and interaction of relevant actors in the design of innovation policy is being intensified. Examples of initiatives include the work to increase the efficiency of "Unique Scientific and Technical Infrastructures" (ICTS) through a second mapping, and increased support for the R+D+I Public Policy Network (REDIDI), which has the potential to improve national-regional coordination of R&I policy. Systematic programme evaluations, however, have not yet become the rule despite some good practice examples. | Further the implementation of the Law on Market Unity by ensuring that, at all levels of government, rules governing access to and exercise of economic activities, in particular for services, are in line with principles of that Law and by improving cooperation between administrations. | Limited progress. Supporting guidelines for implementing the law on market unity have been issued, but the renewed commitment of regions and the central government to mutual cooperation on market unity and better regulation in Spain has so far not translated into tangible results. The Constitutional Court rulings on the Law on Market Unity might limit effective progress in this area for the time being. National authorities have given reassurances that it will be possible to achieve the objectives of the law using the provisions unaffected by the rulings. | Limited Progress. Cooperation between universities and businesses remains weak, albeit improving, with initiatives to increase business participation in the decision-making process. Despite the high tertiary education attainment, skills supply is not sufficiently aligned with labour market needs. Matching initial vocational education and training (VET) with labour market needs is still a challenge in Spain. Spain lacks enough skills for smart specialisation, industrial transition and entrepreneurship. | Limited Progress. Some measures were taken to implement the Law on Market Unity with however limited effect. Measures include work on sectorial conference, training on the implementation of the law. Several favourable court rulings applying this Law were passed during this period. |
1. Ensure compliance with the Council recommendation of 10 March 2015 under the excessive deficit procedure. Pursue a substantial fiscal effort in 2018 in line with the requirements of the preventive arm of the Stability and Growth Pact, taking into account the need to strengthen the ongoing recovery and to ensure the sustainability of France’s public finances. **Comprehensively review expenditure items** with the aim to make efficiency gains that translate into expenditure savings.

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

Limited progress has been made in ensuring the sustainability of France’s public finances. According to the 2017 Commission autumn forecast, the headline deficit is projected to reach 2.9% of GDP in 2018 and the structural balance is projected to deteriorate by 0.4% of GDP. The worsening of the structural balance increases sustainability gap. The fiscal impulse on the other hand may have a positive impact on economic performance.

Limited progress has been made in reviewing expenditure items. The 2018-2022 multiannual public finances programming law sets the principles of Public Action 2022. The process seeks to address this sub CSR, by commissioning the Comitee Action Publique 2022 (CAP2022) to set the roadmap by April 2018 and to analyse possible measures that would need to be taken. Clearly-specified measures to address the CSR have not been proposed though. The spending reviews in place since 2014 will be discontinued.

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

1. Ensure that the nominal growth rate of net primary government expenditure does not exceed 1.4% in 2019, corresponding to an annual structural adjustment of 0.6% of GDP. Use windfall gains to accelerate the reduction of the general government debt ratio. **Implement expenditure savings in 2018 and fully specify the objectives and new measures needed in the context of Public Action 2022**, for them to translate into concrete expenditure savings and efficiency gains measures in the 2019 budget.

Progressively unify the rules of the different pension regimes to enhance their fairness and sustainability.

1. Ensure that the nominal growth rate of net primary government expenditure does not exceed 1.4% in 2019, corresponding to an annual structural adjustment of 0.6% of GDP. Use windfall gains to accelerate the reduction of the general government debt ratio. **Implement expenditure savings in 2018 and fully specify the objectives and new measures needed in the context of Public Action 2022**, for them to translate into concrete expenditure savings and efficiency gains measures in the 2019 budget.

No Progress. It remains difficult to understand how exactly and with what timing “Action Publique 2022” would contribute to the objective of reducing the expenditure-to-GDP ratio by 3 percentage points by 2022. Available information shows weak adherence to the guidance for spending reviews agreed in 2016 at the level of the Eurogroup. Implementation risks seem high when looking at the track record of spending reviews in France and the relatively limited results produced. No significant expenditure savings and efficiency gains stemming from Public Action 2022 was included in the 2019 budget.

Limited Progress. In October 2018, the Government presented the main principles of the future pension reform, which will replace the more than 40 regimes currently existing with a unique and universal pension system. Consultations with social partners are currently ongoing, while the adoption of the reform is scheduled by the end of 2019.

2. Consolidate the measures reducing the cost of labour to maximise their efficiency in a budget-neutral manner and in order to scale up their effects on

Some progress:

Some progress has been made in consolidating and maximising the

Some progress:

2. Pursue the reforms of the vocational education and training system, to strengthen its labour market relevance and improve access to

Some progress:

Substantial progress has been made to pursue the reforms of the vocational
employment and investment. **Broaden the overall tax base** and take further action to implement the planned decrease in the statutory corporate-income rate.

- **Some progress** has been made in broadening the overall tax base and in decreasing the corporate income tax rate.

- **Some progress** has been made in the implementation of the decrease in the statutory corporate income rate. The 2018 finance law confirmed that it will reach 25% for all companies in 2022. No progress has been made on broadening the overall tax base on consumption as the 2018 finance law does not limit or remove the use of reduced rates on VAT. By contrast, employees’ social contributions for health and unemployment insurance will be gradually eliminated and offset by a 1.7% increase in the general social contribution (contribution sociale généralisée) payable by employees and retirees. This measure contributes to rebalance part of the tax burden away from employers.

- **Limited progress** has been made in improving access and equal opportunities in the labour market for training, in particular for low qualified workers and jobseekers. **Foster equal opportunities and access to the labour market**, including for people with a migrant background and people living in deprived areas. **Ensure that minimum wage developments are consistent with job creation and competitiveness.**

  The 2018 Budget Plan, the tax credit for employment and competitiveness (Crédit d’impôt pour la Compétitivité et l’Emploi or CICE) would be converted as of 2019 into permanent reductions in employers’ social security contributions and accompanied with a further reduction of these latter for wages up to 1.6 times the minimum wage. The impact of this transformation in terms of employment is expected to be positive but limited, and equal to 35 000 jobs in 2019 and 70 000 jobs in 2020 according to government’s projections.

- **Some progress** has been made in the efficiency of measures reducing the cost of labour. Some progress has been made to reduce the tax burden on labour. According to the 2018 Budget Plan, the tax credit for employment and competitiveness (Crédit d’impôt pour la Compétitivité et l’Emploi or CICE) would be converted as of 2019 into permanent reductions in employers’ social security contributions and accompanied with a further reduction of these latter for wages up to 1.6 times the minimum wage. The impact of this transformation in terms of employment is expected to be positive but limited, and equal to 35 000 jobs in 2019 and 70 000 jobs in 2020 according to government’s projections.

- **Some progress** has been made in the implementation of the decrease in the statutory corporate income rate. The 2018 finance law confirmed that it will reach 25% for all companies in 2022. No progress has been made on broadening the overall tax base on consumption as the 2018 finance law does not limit or remove the use of reduced rates on VAT. By contrast, employees’ social contributions for health and unemployment insurance will be gradually eliminated and offset by a 1.7% increase in the general social contribution (contribution sociale généralisée) payable by employees and retirees. This measure contributes to rebalance part of the tax burden away from employers.

- **Limited progress** has been made in improving access and equal opportunities in the labour market for education and training (VET) system and improve access to training. The law on “freedom to choose one’s professional pathway” (adopted in September 2018) reforms apprenticeship and continuous training to support labour market integration. Measures are being gradually implemented since January 2019 to increase the attractiveness of apprenticeship (accompanying measures for apprentices, financial incentives for SMEs). Comparative information on the labour market relevance of apprenticeship pathways and school-based vocational education should be made available in the future. The law also facilitates access to continuous training through a revised, euro-based, personal training account granting increased rights to low-qualified and part-time workers. The governance of the VET system is overall reshaped and simplified with the establishment since January 2019 of a single national certifying authority “France compétences”. A reform of school-based vocational education has been announced in 2018 and will be progressively introduced as of September 2019. In addition, a EUR 15 billion investment plan for skills (PIC) has been running since 2018 to train 1 million of young people and 1 million of low qualified job seekers by 2022. The plan is gaining pace in 2019, based on agreements on jobseekers trainings between the state and the regions, which are currently rolled out.
from workers to retirees and broaden the tax base financing social security.

people living in deprived areas. A specific hiring premium for increasing labour market integration is being tested since April 2018, before possible mainstreaming. Moreover, professional orientation and internship opportunities are being currently strengthened at the level of lower secondary schools in these areas. Testing against discriminatory practices is currently under way. However, the focus is limited to bigger French enterprises. Concerning persons with a migrant background, little progress has been made in 2018, apart from the actions targeted at recently arrived migrants and actions in the field of education. A revision of the integration policy for recently arrived migrants focused on trainings to learn French (especially for professional purposes) and the mobilisation of economic actors to favour their access to the labour market (inter alia by closer monitoring and better recognition of qualifications and professional experiences). On education, the starting age of compulsory education was reduced to three years, targeting those few children who do not participate in early childhood education and care, most of whom are from disadvantaged and migrant backgrounds or live in overseas territories. The halving of class size in the first two grades of primary education was extended to all disadvantaged schools. The on-going upper-secondary and higher education reforms and in particular, strengthened guidance in upper secondary education as well as support measures to increase the completion rate in higher education and to increase the number of places reserved for holders of technological
3. Improve access to the labour market for jobseekers, in particular less-qualified workers and people with a migrant background, including by revising the system of vocational education and training. Ensure that minimum wage developments are consistent with job creation and competitiveness.

**Some progress:**

Some progress has been made in improving access to the labour market for jobseekers. Launched in September 2017, the Grand Plan d'Investissement 2018-2022 includes EUR 13.8 billion of investment in training and skills. This initiative, called Plan d'investissement compétences (PIC), targets low-qualified young people facing particular difficulties in finding a job and low-skilled long-term unemployed. It aims to fund 1 million trainings for job-seekers with low qualifications and 1 million

and vocational baccalauréat also supports the future employment rates of (disadvantaged) students.

**Some progress** has been made in ensuring minimum wage developments are consistent with job creation and competitiveness. Since 2012, no ad-hoc hike of the minimum wage has been adopted. The minimum wage hence evolved following its automatic indexation rule, evolving below reference wages in the previous years. The implementation of the formula led to an increase of +1.5% in January 2019, aligned to inflation and reference wages evolutions observed in 2018. At the same time, the unemployment rate of the low-skilled remains in France at 17% end 2017 and 16.6% in the second quarter of 2018. Income of employees paid close to the minimum wage will be supported by an additional increase of 90 euros of the activity premium (at minimum wage level) associated to a decrease of employees’ social contributions applied in October 2018.
early-school leavers over a time horizon of five years. It contains reinforced support measures for young (pursuit of the generalisation of the Youth Guarantee, increase of places in second-chance schools, and improvement in tracing and tracking of young not in education, employment or training (NEETs) beyond the support for young early-school leavers). Initiatives for a total amount of EUR 1.5 billion (including external financing) have been included in the finance law for 2018. A specific hiring premium for increasing hires of deprived territories inhabitants will be tested into 10 of these territories starting from April 2018.

In December 2017, the Government has invited social partners to negotiate for a reform of unemployment insurance. The government has then set out a roadmap concerning a reform to ensure access to compensation for resigning and independent workers, to fight against precariousness and permanent intermittency (permittance). Negotiations among social partners are planned to end in February 2018.

As regards persons with a migrant background, little progress has been made in 2017. A revision of the integration policy is planned for spring 2018. This revision is meant to focus on trainings to learn French (especially for professional purposes) and the mobilisation of economic actors to favour the access to the labour market for people with a migrant background (inter alia by closer monitoring and better recognition of qualifications and professional experiences).
Limited progress has been made in revising the system of vocational education and training. On 15 November, a policy orientation document prepared by the Government has been sent to social partners with a view to establishing a diagnosis of the challenges faced by the vocational education and training system as well as to formulate options for reform. Inter-professional negotiations started in November 2017 and should be completed by the end of February 2018. The Government has presented first measures to reform the apprenticeship system on 9 February 2018.

Some progress has been made in ensuring minimum wage developments consistent with job creation and competitiveness. No ad-hoc hike of the minimum wage has been adopted since 2012. On 1 January 2018, the minimum wage was increased by 1.23% on the basis of its automatic indexation formula (Decree 2017-1719 of 20/12/2017 on the increase of minimum wage growth). At the same time, the employment rate of low skilled workers continues to be lower than in the EU (in 2016 it was at 38.8% in France against 44.5% in the EU) and to decrease over time (-0.9 pp. from 2015 and -9.8 pps from its peak level in 2003). In their recent report, the group of experts appointed to monitor minimum wage developments shows the need to reform the minimum wage automatic indexation formula, beyond limiting ad-hoc hikes.

4. Further reduce the regulatory burden for firms, including by pursuing

Limited progress

3. Simplify the tax system, by limiting the use of tax expenditures, removing

Some progress:
the simplification programme. Continue to **lift barriers to competition in the services sector**, including in business services and regulated professions. Simplify and improve the efficiency of **public support schemes for innovation**.

**Some progress** has been made in further reducing the regulatory burden for firms. (i) In July 2017 the government has issued a circulaire to limit the proliferation of norms, but the real impact of this circulaire remains to be seen; (ii) simplification measures were adopted for the self-employed; (iii) the 2017 reform of the labour law includes measures to simplify the application of such law (covered under a separate heading); (iv) the government has presented a bill (loi pour un État au service d’une société de confiance) to simplify administrative procedures and promote the exchange of information with the administration; (v) France has announced simplification measures under the PACTE, but those measures are not yet defined.

**No progress** has been made in further lifting barriers to competition in the services sector. Since the Macron law (presented in October 2014, adopted in January 2015) there has been no change (increase or decrease) in the barriers to competition in the business services and regulated professions sectors. In this regard, the French Ministry of Finance has provided additional information of the impact that the changes undertaken by the Macron law will have in the next round of the OECD’s Product Market Regulation indicators (2018 indicators to be published in 2019). This work was published in August 2017. However, the impact refers to the Macron law’s implications and, hence, is not new.

**Limited progress** has been made in simplifying and improving the efficiency of inefficient taxes and reducing taxes on production levied on companies. **Reduce the regulatory and administrative burden** to increase competition in the services sector and to foster firms’ growth. **Step up efforts to increase the performance of the innovation system** in particular by improving the efficiency of public support schemes and strengthening knowledge transfer between public research institutions and firms.

**Some progress** has been made in simplifying the tax system for businesses and removing inefficient taxes while very limited progress has been made to reduce taxes on production levied on companies. In particular, several measures have been announced and are being implemented to simplify the tax system (ESSOC law). Furthermore, a total of 17 inefficient taxes worth EUR 7.5 million will be discontinued in 2019. On tax expenditures, six inefficient tax expenditures are planned to be suppressed, while four new ones (worth EUR 1 billion) to be introduced. However, little has been done to reduce taxes on production weighing on companies: only one tax (“forfait social”) is planned to be cut in 2019 (according to the budget law).

**Some progress** has been made in reducing the regulatory and administrative burden to increase competition in the services sector and to foster firms’ growth. The 2018 ‘Loi pour un État au service d’une société de confiance’ (ESSOC law) further simplified procedures, interactions and exchange of information with the public administration. A law supporting firms’ growth (loi PACTE) is currently being discussed at the Parliament. It plans to reduce the number of thresholds related to size-dependent regulations based on the number of employees that firms face as they grow, and to introduce a five-year transitional period to give firms time to adjust when they cross these thresholds. To further support SME growth, the draft law promotes employees’ incentives linked to firm performance by removing the so-called forfait social for firms with
of public support schemes for innovation. Several evaluations of direct and indirect (e.g. R&D tax credit, "CIR") public funding to innovation are ongoing under the leadership of the National Commission for the evaluation of Innovation Policies (CNEPI) and the Parliament. However, it remains to be seen how these evaluations will be translated into concrete policy actions to simplify and improve the overall performance of the public support to innovation. In parallel, a number of new initiatives have also been announced such as the "Breakthrough Innovation Fund" and the Grand Plan d'Investissement. Further clarification regarding their synergies with existing schemes is required.

less than 50 employees. Barriers to competition in the services sector remain and reforms in specific sectors continue. For instance, the healthcare strategy (...) announced by the President in September 2018 aims to abolish the numerus clausus to access medical studies.

**Limited progress.** Several measures have been announced to improve the performance of the innovation system, with a particular focus on breakthrough innovation, e.g. the Innovation Council and the EUR 10 billion fund, but they still need to be fully implemented. Concerning the efficiency of public support schemes, the 4th Phase (2019-2022) of the competitiveness poles has been announced and the preliminary design suggests that some of the weaknesses identified in a previous evaluation have been addressed. The announced publication of the evaluations of the R&D tax credit have been repeatedly postponed and it is still due to date. Finally, more incentives for researchers in the public sector to collaborate with industry have been proposed in the PACTE law which has not been adopted yet.
1. Pursue its fiscal policy in line with the requirements of the preventive arm of the Stability and Growth Pact, which entails remaining at its medium-term budgetary objective in 2018. By September 2017, reinforce budgetary planning and the multi-annual budgetary framework, including by strengthening the independence and mandate of the Fiscal Policy Commission. Take the necessary steps for the introduction of the value-based property tax. Reinforce the framework for public debt management, including by ensuring annual updates of the debt management strategy.

2. Discourage early retirement, accelerate the transition to the higher statutory retirement age and align pension provisions for specific categories with the rules of the

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**1. Strengthen the fiscal framework**, including by strengthening the mandate and independence of the Fiscal Policy Commission. **Introduce a recurrent property tax.**

Some progress:

**Substantial Progress** in strengthening the fiscal framework. After a long delay, in December 2018 the Parliament adopted a new Fiscal Responsibility Act and a new State Audit Office Act. The adoption of the new Budget Act remains delayed.

No Progress. The introduction of a recurrent value-based property tax is no longer planned.

**2. Discourage early retirement, accelerate the transition to a higher statutory retirement age and align pension provisions for specific categories with the rules of the**

Limited progress: (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact): **No progress** in reinforcing the budgetary framework. The new Fiscal Responsibility and Budget Acts, aimed at addressing many of the outstanding issues, have still not been adopted.

No progress in introducing the property tax. The already legislated introduction of the property tax, scheduled for January 2018 (as part of the tax reform adopted in 2016), was postponed without a timeframe for adoption.

Some progress in reinforcing the framework for public debt management. A sizable share of central government debt relating to SOEs (previously in the form of loans) was refinanced by a bond issuance and the public debt management body was promoted to the status of a Directorate within the Ministry of Finance. Both developments should improve control over debt management.

Limited progress: **No progress** in reforming the pension system. Reform measures planned for December 2017 are being further postponed to mid-2018. These include **Some progress:**

Substantial Progress. In December 2018 the parliament adopted an important package of pension system reforms aimed at addressing design
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<th>general scheme</th>
<th>Improve coordination and transparency of social benefits.</th>
<th>the streamlining of the 100+ arduous or hazardous professions benefitting from more generous pension provisions, measures aimed at reducing access to early retirement, the increase of the statutory retirement age and the acceleration in the equalisation of retirement age for women and men. <strong>Limited progress</strong> in improving the social benefits system. The ambitious and long-planned establishment of the onestop-shop as a central point for the administration and provision of social benefits and services has been abandoned. Similarly, the previously announced harmonisation of eligibility criteria for social benefits has been suspended. The focus has shifted to harmonizing definitions and classifications of social protection benefits and improving beneficiaries’ records as well as data exchange between the central and local government level. <strong>Consolidate social benefits and improve their poverty reduction capacity.</strong></th>
<th>inconsistencies in the system, improving pension adequacy through longer working lives, and strengthening the institutional setup and performance of the 2nd mandatory pillar. <strong>Some Progress</strong> in delivering on the reform of the education and training system. A number of measures have been set in motion, such as the launch of newly developed general education curricula as a pilot project. Other objectives set in the Education and Training 2020 Strategic Framework await adoption and implementation. <strong>Limited Progress</strong> in consolidating social benefits. A categorisation of the types of benefits granted at the local government level following the European System of integrated Social Protection Statistics nomenclature was completed. However, most policy measures remain in a preparatory phase.</th>
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<tr>
<td>3. Improve adult education, in particular for older workers, the low-skilled and the long-term unemployed. <strong>Accelerate the reform of the education system.</strong></td>
<td><strong>Limited Progress</strong></td>
<td><strong>Limited progress</strong> in improving adult education. Coverage of Active Labour Market Policies (ALMPs) remains very low. In February 2017 the Croatian Employment Service (CES) adopted a new package of ALMP with focus on education. Concerns however remain with regard to the capacity of the CES to adapt its offer of employment/education measures to the needs of its beneficiaries. The authorities’ efforts to increase participation in adult learning do not seem to be well coordinated with the</td>
<td><strong>See CSR 2 (reform of the education system)</strong></td>
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<td>Provision of ALMPs by the CES (including reskilling and upskilling measures). The adoption of the new Adult Education Act and the Law on Vocational Education and Training has been further postponed.</td>
<td>Limited progress in reforming the education system. The implementation of the reform previously suffered from numerous delays. Some activities were relaunched in 2017, and a pilot project to implement the curricular reform is due to start in September 2018. The necessary legislation amendments, including on the General Education Act, have not yet been discussed in Parliament. The adoption of a new bylaw on non-formal and informal learning is still pending.</td>
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4. Reduce the fragmentation and improve the functional distribution of competencies in public administration, while enhancing the efficiency and reducing 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. | No progress in the public administration reform. The planned reduction of the branch-offices of the central administration (e.g. ministries) operating at local level has not yet started. Previous plans to rationalise the cumbersome state agencies system have been suspended. The authorities plan to establish first a new legal framework for states agencies. The government proposed amendments to the law on the financing of local government units, aims at simplifying the complex system of transfers and financing. The fragmentation and functional distribution of competencies of sub-national units have not been addressed. |

3. Reduce the territorial fragmentation of the public administration, streamline the functional distribution of competencies and enhance the capacity to design and implement public policies. In consultation with social partners, introduce harmonised wage-setting frameworks across the public administration and public services. | Limited Progress: Some Progress in the public administration reform. A substantial rationalisation of the cumbersome state agencies system – as a step towards simplification and efficiency – is ongoing. The territorial fragmentation at the local government level remains a challenge. Limited Progress in harmonising wage-setting frameworks across the public administration and public services, as the relevant legislation remains in a preparatory phase. |
5. Speed up the divestment of state-owned enterprises and other state assets, and improve corporate governance in the state-owned enterprise sector. Significantly reduce the burden on businesses stemming from costs of regulation and from administrative burdens. Remove regulatory restrictions hampering access to and the practice of regulated professions and professional and business services. Improve the quality and efficiency of the justice system, in particular by reducing the length of civil and commercial cases.

Limited progress in SOEs divestment and improving corporate governance. The new Ministry has advanced efforts in sales of minority shares in state-owned companies and further reduced the list of companies of strategic and special interest. However, there are considerable delays in the legislation aimed at improving the management of state assets and corporate governance in SOEs.

Limited progress in reducing the burden on business. The measuring and subsequent reduction of administrative burden has continued and two parafiscal charges have been reduced.

Limited progress in liberalising regulated professions. Measures in this area were limited in scope and the restrictions most detrimental to the functioning of the economy remain in place.

Limited progress in improving the quality and efficiency of the justice system. Over the past year, the decrease

4. Improve corporate governance in state-owned enterprises and intensify the sale of state-owned enterprises and non-productive assets. Significantly reduce the burden on businesses arising from parafiscal charges and from cumbersome administrative and legislative requirements. Enhance competition in business services and regulated professions. Reduce the duration of court proceedings and improve electronic communication in courts.

Limited Progress. A new Corporate Governance Code has been implemented, and obligatory reporting on business plans and performance has been introduced in all major state-owned enterprises. Disposal of state assets has progressed slowly due to delays in adoption of required legislation.

Some Progress in reducing the burden on business. There has been some progress with the continuation of removal of identified administrative burden and limited progress with the removal of parafiscal charges.

Limited Progress in enhancing competition in business services and regulated professions. The implementation of some measures to remove excessive restrictions has finally started, most notably in passenger transport, audit and education.

Some Progress in the judicial system reform. Backlogs in courts have been
| | In backlogs was driven mainly by reduced inflows, whereas proceedings remained long. Efficiency enhancing and modernisation measures in the system are progressing slowly. | Reduced and progress was made with implementation of electronic communication. Mergers of courts effective as of January 2019 are expected to increase efficiency. |
1. Pursue a substantial fiscal effort in 2018, in line with the requirements of the preventive arm of the Stability and Growth Pact, taking into account the need to strengthen the ongoing recovery and to ensure the sustainability of Italy’s public finances. Ensure timely implementation of the privatisation programme and use windfall gains to accelerate the reduction of the general government debt-to-GDP ratio. Shift the tax burden from the factors of production onto taxes less detrimental to growth in a budget-neutral way by taking decisive action to reduce the number and scope of tax expenditures, reforming the outdated cadastral system and reintroducing the first residence tax for high-income households. Broaden the compulsory use of electronic invoicing and payments.

**Assessment of implementation of 2017 CSRs**
March 2018

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

**Limited progress** since the issuance of the 2017 CSRs, and despite the confirmation of ambitious privatisation targets for both 2017 (0.2% of GDP) and 2018 (0.3% of GDP), no new privatisations have been carried out. Italy's debt-to-GDP ratio is forecast by the COM to only stabilise in 2017 (at 132.1%) and slightly decrease in 2018 (to 130.8%).

**Limited progress**, while measures have been taken to reduce the tax burden on labour and capital, no shift to property and consumption can be recorded. Tax expenditures have been reviewed but not streamlined; no changes have been made to the property tax; the reform of cadastral values is still pending.

**Substantial progress.** Mandatory e-invoicing has been extended to the private sector as of 2019 (2018 for fuels and public procurement). No action has been made to further electronic payments.

2. Reduce the trial length in civil justice through effective case management and rules ensuring

**Some progress:**

2. Reduce the length of civil trials at all instances by enforcing and streamlining procedural rules, including those under

**Assessment of implementation of 2018 CSRs**
February 2019

**No Progress** (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact):

**No Progress.** No progress was achieved in these areas, because: (i) tax expenditures have been reviewed but not streamlined; (ii) cadastral values have not been reformed; and (iii) taxation on labour has not been reduced nor shifted to other tax base but only a very marginal reduction of taxation on capital has been enacted (namely self-employed through the extension of the so-called “flat tax regime”).

**Limited Progress.** E-invoicing has become compulsory for the private sector as of 2019 pursuant to the 2018 budget law of December 2017. Moreover, electronic transmission of receipts has been introduced. Nevertheless, a new tax amnesty could offset the positive impact of those measures on tax compliance; no action was taken to encourage e-payments for instance through lower legal thresholds for cash payments. Reduce the share of old-age pensions in public spending to create space for other social spending.
procedural discipline. **Step up the fight against corruption**, in particular by revising the statute of limitations. **Complete reforms of public employment** and improve the efficiency of publicly-owned enterprises. **Promptly adopt and implement the pending law on competition** and address the remaining restrictions to competition.

| **Limited progress.** A few civil justice reforms of limited scope have been passed, but an all-encompassing reform of the civil trial is still pending and evidence does not support yet the effectiveness of reforms to avoid abuses of the trial. Overall, disposition time does not show a clear downward trend compared to past years. | **Substantial progress.** Overall, Italy’s anticorruption framework has been improved in the past year by revising the statute of limitations and extending whistle-blowers' protection to private sector workers. While some powers of ANAC in the area of procurement were curtailed, the Authority was given a more prominent role in monitoring the implementation of the new framework. However, these new competencies remain to be operationalised through a regulation. | **Limited progress.** No new measures have been introduced to enforce and streamline procedural rules, including those against the misuse of litigation. |
| **Achieve more effective prevention and repression of corruption** by reducing the length of criminal trials and implementing the new anti-corruption framework. **Ensure enforcement of the new framework for publicly-owned enterprises** and increase the efficiency and quality of local public services. **Address restrictions to competition**, including in services, also through a new annual competition law. | **Some progress.** The implementation of the Public administration reform is almost complete. The relevant legislative decrees to reform public employment have been adopted and need to be operationalised. The new framework for SOEs is in place and needs to be implemented. **Limited Progress.** The enforcement of the new SOEs framework is ongoing, although with some delays. The limited ability of local bodies to effectively dismiss non-core shares is delaying the enforcement. No initiatives have been taken on local public services. | **Some Progress.** A new anti-corruption law was passed by the Parliament in December 2018. It introduced stricter penalties and longer prescription terms for corruption offences. It even stops prescription terms after a first instance conviction (as requested by GRECO) but only as of 2020. However, despite the recent reform of the statute of limitations, prosecution of corruption remains ineffective due to long trials and the still unmet need of a reform of the appeal system to avoid misuse of litigation. |
| **Some progress.** The implementation of the 2015 annual competition law was adopted and it needs to be implemented. No actions have been taken to remove remaining restrictions to competition. | **No Progress.** No progress is registered in reducing barriers to competition. | **No Progress.** No new measures have been taken on local public services. |

| **3. Accelerate the reduction in the stock of non-performing loans** and step up incentives for balance-sheet clean-up and restructuring, in particular | **Some progress:** **Banks’ balance sheet repair including non-performing loans** | **3. Maintain the pace of reducing the high stock of non-performing loans and support further bank balance sheet restructuring and** |
| **Some progress:** in the banking sector, the authorities' clean-up of some of the | | **Some progress:** |
| | | **Some progress:** |
in the segment of banks under national supervision. Adopt a comprehensive overhaul of the regulatory framework for insolvency and collateral enforcement.

Adopt a comprehensive overhaul of the regulatory framework for insolvency and collateral enforcement. The weakest banks in mid-2017 has reduced acute financial stability risks. The high legacy stock of NPLs is declining on the back of NPL disposals including via the securitisation scheme supported by state guarantees (GACS). The supervisor has enhanced oversight of less significant institutions including by announcing a NPL guidance. The various corporate governance reforms are broadly on track. Consolidation and restructuring in the banking sector have continued.

Limited progress regarding the overhaul of the insolvency framework, the enabling law has been adopted, and relevant implementing decrees have to be passed within a year. The Patto Marciano, an adopted measure to shorten the period of collateral enforcement, is not yet used by banks for firms.

Consolidation, including for small and medium-sized banks, and promptly implement the insolvency reform. Improve market-based access to finance for firms.

Consolidation, including for small and medium-sized banks, and promptly implement the insolvency reform. Improve market-based access to finance for firms. Disposals through outright sales and securitisations with the government guarantee scheme (GACS) has substantially progressed. Despite a number of important banking reforms adopted in recent years, the corporate governance reform of the large cooperative banks has stalled and that of the small mutual banks somewhat watered down, while the insolvency framework reform still has to be finalised. Having said this, a recovering banking system, in particular small and mid-sized banks, is now suffering contagion from the increase in sovereign yields, which has already negatively impacted banks’ capital positions and jeopardised access to unsecured wholesale funding.

Limited progress. In addition to past policy measures (the SME Guarantee Fund, instruments through the state lender Cassa Depositi e Prestiti (CDP), Minibonds, the alternative investment market (AIM), and long-term individual saving plans (PIR)), a new fund for venture capital has been set and PIR will be extended to unlisted companies. However, the allowance for corporate equity (ACE), conducive in lowering leveraging and boosting firm equity has been abolished as part of the 2019 Budget law. Although these measures go in the right direction, there is a backtracking on increasing firms’ capitalisation by the abrogation of ACE (which was largely used by corporations).
4. With the involvement of social partners, strengthen the collective bargaining framework to allow collective agreements to better take into account local conditions. Ensure effective active labour market policies. Facilitate the take-up of work for second earners. Rationalise social spending and improve its composition.

**Limited progress.**

**Limited progress.** The use of second-level contracts is very limited. Most actions relating to collective bargaining were taken before the adoption of the relevant CSR, while the intersectoral agreement on the bargaining framework has not been renegotiated yet. Social partners updated the agreement on the representativeness of trade unions, which is expected to become only operational in 2019. The tax rebates on productivity-related wage increases set by second-level agreements were strengthened in 2017.

**Limited progress.** The reform of ALMPs is still incomplete. The new Agency for Active Labour Market Policies was set up in January 2017, but the governance of the system is still into jeopardy. The adoption by the Ministry of Labour of the strategic plan on ALMP has been delayed. In this context, the PES placement capacity remains extremely limited, with a few exceptions. A pilot project on the outplacement voucher was launched in 2017, but the uptake has been lower than expected. In the absence of a common methodology for data collection, monitoring and performance evaluation remain weak. The annual reports on the implementation of the provisions of the Jobs Act on ALMPs, foreseen by the Decree 150/2015, have not been published.

**Limited progress.** Some measures have been introduced in the Budget law, including the extension of paternity

**Limited progress.**

**Limited progress.** Monitoring indicators and minimum standards for Public Employment Services (PES) staff were set at the national level by Decree in January 2018, but strengthening coordination between the national agency (ANPAL) and regions remains a major challenge. PES are being linked through a newly developed national IT system. The information provided to non-registered people has also been improved, as well as the on-line registration of jobseekers and the set-up of single points of contact for the long-term unemployed. But active labour market policies (ALMP) are barely integrated and coordinated with related policies (e.g. social protection, social services, adult learning, and vocational training). Major competences lie with regional authorities, which received new resources in 2018 to reinforce public employment services (PES). However, recruitments of new staff has not yet started.

**Limited Progress.** Female labour participation remains one of the lowest in the EU. The employment rate of women (20-64) is substantially lower than the EU average ([52.5% vs 66.4%]) in 2017. A high tax wedge for second earners reduces the financial incentive for women to take up work (the marginal tax rate for a second earner earning two thirds of the average wage is at [30.5%] in 20XX). In addition, the lack of adequate measures to reconcile professional and private life such as care facilities tends to hamper employment, especially for women with dependent children or other family members in...
leave. However, policy actions remain fragmented and a comprehensive strategy is still lacking.

**Some progress.** To fight poverty and social exclusion, a new permanent measure has been adopted (REI), which also incorporates unemployment assistance and partly rationalises social spending. However, the latter remains biased towards old-age expenditure. In fact, the 2018 Budget further extends some provisions of the 2017 Budget partially reversing past pension reforms, which increase the already high pension share in overall social spending.

need of care. The share of children under three years of age in formal early childhood education at 27.3% is well below the EU average. This situation is exacerbated by an inadequate system of parental leave.

**Limited Progress.** A fully fledged assessment of the R&D incentives contained in Impresa 4.0 is lacking. From preliminary information available, tax incentives would have had a positive impact on private investment. However, the incentives - which remain of temporary nature - have been substantially reduced by the last budget law. The latter introduced a new (supposedly structural) system of tax reduction on reinvested profit, which however does not seem to concern also investment in R&D. The new budget law confirms the tax credit on training in skills linked to 4.0 technologies for 2019 (with 250 million EUR budget, the same amount budgeted the previous year); however a comprehensive strategy for digital skills is still missing; the funding for the National Plan for Digital School is still insufficient for reaching the Plan’s objectives and competence centers for the Industry 4.0 strategy are having a slow start. The funding of public research is stagnating (0.50% GDP in 2017, the lowest value since 2005). Public investment in infrastructure remains low, although the government intends to address the issue of lack of project management skills within public administrations that hampers ability to carry out investment. Despite the interesting initiatives on ITS and ‘lauree professionalizzanti’, vocational-oriented
tertiary education concern only a few thousand students. The 2019 Budget Law sets two institutional bodies to strengthen investment capacity of national and local authorities (Centrale per la progettazione delle opere pubbliche e Investitalia). Moreover, funds to promote innovative technologies such as Artificial Intelligence, Blockchain and Internet of Things were created. The drafting of a standard contract for Public-Private Partnership is ongoing. The PPP for the creation of Competence centres were selected. Finally, the 2019 Budget Law provides incentives for private employers who hire young graduates or PhD holders through a permanent contract (EUR 50 mn in 2019 and 20 in 2020). No progress is registered on education, particularly on vocational-oriented tertiary education.
1. Pursue its fiscal policy in line with the requirements of the preventive arm of the Stability and Growth Pact, which entails remaining at its medium-term budgetary objective in 2018. Use windfall gains to accelerate the reduction of the general government debt ratio. By the end of 2017, adopt key legislative reforms aiming to improve efficiency in the public sector, in particular on the functioning of public administration, governance of state-owned entities and local governments.

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

Some progress regarding the improvement of the efficiency of the public sector with the adoption of legislation facilitating staff mobility between the public service and state-owned entities. Some measures were also undertaken promoting egovernance. However, key legislation remains to be adopted.

No progress with regard to the governance of state-owned entities. The draft law is still pending adoption by the House of Representatives.

No progress related to the reform of local governments. Relevant legislation is awaiting adoption by the House of Representatives.

2. Increase the efficiency of the judicial system by modernising civil procedures, implementing appropriate information systems and increasing the specialisation of courts. Take additional measures to eliminate impediments to the full implementation of the insolvency and foreclosure frameworks, and to ensure reliable and swift systems for the issuance of title deeds.

Limited progress:

Regarding the efficiency of the judicial system, some measures have been announced, but key reforms are at preliminary stage. Efforts are on-going on eliminating obstacles to fully implement the insolvency and foreclosure frameworks, but no significant progress was recorded. Administrative steps were taken to improve efficiency in the public sector, in particular as regards the functioning of the public administration and the governance of state-owned entities and local governments.

Limited progress on the governance of State-Owned Enterprises. The draft law is still pending adoption by the House of Representatives since 2015. In the meantime, a proposal to the Council of Ministers and guidance notes are being prepared, which include most of the draft law provisions.

Limited progress related to the reform of local governments. Relevant legislation, which was submitted to the House of Representatives in 2015 is being amended.

2. Step up efforts to improve the efficiency of the judicial system by revising civil procedures, increasing the specialisation of courts and setting up a fully operational e-justice system. Take measures to fully operationalise the insolvency and foreclosure frameworks and ensure reliable and swift systems for the issuance of title deeds and the transfer of immovable property rights.

Limited progress in improving the efficiency of the judicial system. A number of measures are being implemented, but they are not yet completed. The civil procedures are still under revision and the specialisation of courts is only at an initial stage. Important measures to specialise the courts, including establishing a
| Deeds and the transfer of immovable property rights. | Address the issuance of title deeds and transfer of immovable property rights, but more comprehensive measures remain to be adopted. **Limited progress** in modernising the civil procedures. A legislation filtering appeals on interlocutory decisions is in place. However, a series of announced measures still remain to be implemented, such as setting up a management information system for the courts (e-justice system), establishing a specialised commercial court, amending the civil procedure law to strengthen the legal framework for the enforcement of judgements, incentivising judicial mediation and creating a training department in the Supreme Court. **Limited progress** in eliminating barriers to fully implement the insolvency and foreclosure frameworks. Rules of Court have been adopted for personal insolvency procedures, but the amendment of the bankruptcy rules on legal entities is still under preparation. An independent review of the insolvency and foreclosure frameworks, covering also staffing and IT requirements, is completed and the results are reviewed by the authorities. **Limited progress** on ensuring reliable and swift systems for issuing title deeds and transferring of immovable property rights. Administrative simplification measures to facilitate the issuance of title deeds are on-going and a policy response related to the licencing and permitting procedures is under preparation based on findings of external experts. A draft law on the Commercial Court, creating new jurisdictions dealing with disputes related to credit facilities and appointing judges dedicated to handling financial disputes, are still pending. The e-justice system has not yet been developed. **Substantial progress** on making the insolvency and foreclosure tools operational with the enactment of strengthened legal frameworks. The effective use and the overall impact of the amended frameworks will be assessed over time. Measures to improve the efficiency and effectiveness of the Insolvency Service and the profession of insolvency practitioners are still pending. **Limited progress** on the issuance and transferring of title deeds. Efforts to reduce the backlog are ongoing, however, limited progress was achieved so far. A roadmap to reform the licensing and permitting procedures based on findings of external experts is still under preparation and further legislative amendments to ensure a reliable and swift system are pending. |
3. **Accelerate the reduction of non-performing loans** by setting related quantitative and time-bound targets for banks and ensuring accurate valuation of collateral for provisioning purposes. Create the conditions for a functional secondary market for non-performing loans. **Integrate and strengthen the supervision of insurance companies and pension funds.**

**Limited progress:**

**Limited progress** was made. The Central Bank of Cyprus in July 2017 set-up an NPL task force to develop a national strategy to reduce NPLs and the authorities are evaluating various options for a comprehensive solution to the NPL problem, including a new targeting framework creation.

**Limited progress** was made by banks announcing the creation of joint ventures with specialised foreign debt servicers to manage their NPL portfolios, which could facilitate NPL sales in the future. Recently Hellenic bank has sold a loan package of 145 mln euros. However, the legal framework for the securitisation of loans is still pending.

**Limited progress** was made as relevant legislation is still under preparation.

**3. Accelerate the reduction of non-performing loans** by implementing a comprehensive strategy, including legislative amendments allowing for the effective enforcement of claims and facilitating the sale of loans. **Integrate and strengthen the supervision of insurance companies and pension funds.**

**Substantial progress:**

**Substantial progress** in implementing a comprehensive strategy to address the high level of non-performing loans. The measures undertaken are: (i) the adoption of a legal package to facilitate the enforcement of claims and the sale of loans, (ii) the partial sale of a public bank and the transferring of non-performing loans to an asset management company and (iii) the adoption of a decision to introduce in 2019 a subsidy scheme for defaulted loans backed by primary residence. Additional measures to ensure an overall positive impact of the strategy are still pending.

**No progress** on creating a single independent supervisory authority for insurance companies and pension funds as the bill is still pending for adoption.

4. **Accelerate the implementation of the action plan for growth,** focusing in particular on fast-tracking strategic investments and improving access to finance, and, by the end of 2017, resume the implementation of the privatisation plan. Take decisive steps towards the ownership unbundling of the Electricity Authority of Cyprus and, in particular, proceed with the functional and accounting unbundling by the end of 2017.

**Limited progress:**

**Limited progress** was recorded in the implementation of the action plan for growth and no progress was made with regard to the privatisation plan.

**Some progress** was made in implementing the action plan for growth. A series of measures stemming from the action plan are gradually being implemented. The legal framework to attract and facilitate large scale investments was submitted to the

**4. Prioritise the implementation of key elements of the action plan for growth,** in particular fast-tracking strategic investments, and take additional measures to improve access to finance for small and medium-sized enterprises. **Improve the performance of state-owned enterprises** including by resuming the implementation of privatisation projects.

**Limited progress:**

**Limited progress** as the bill for simplifying and shortening the procedures to obtain the necessary permits for strategic investments is still pending adoption.

**Some progress** as a few measures are being implemented, mainly supported by EU funds.

**Limited progress** as only few efforts have been made to improve the performance of the State-Owned
House of Representatives for adoption. Some initiatives were undertaken by the authorities to improve access to finance, but still remain at a preliminary stage.

**Limited progress** has been achieved in pursuing the privatisation plan. Only the operations of the port of Limassol were transferred to a private consortium, while the privatisation of the port of Larnaca is underway. An agreement to sell the Greek subsidiary of CYTA was reached. A series of measures were announced but still are at preliminary stage.

**Limited Progress** some new decisions were taken at ministerial level to ensure greater independence of the Transmission System Operator Cyprus, but many important steps still need to be taken.

**Limited Progress** insofar, as the capacity of the public employment services increased, but only temporarily and measures to increase the effectiveness are still pending. There has also been limited progress in outreaching and activating young people not in employment, education or training. An action plan was prepared, but its implementation is very slow.

Limited progress, as only some areas are progressing well, such as teachers’ appointment system, revised curricula and the introduction of new specialisations in vocational and technical education, in line with labour market needs. However, only limited

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<th>5. Speed up reforms aimed at increasing the capacity of public employment services and improving the quality of active labour market policies delivery. <strong>Complete the reform of the education system</strong> to improve its labour market relevance and performance, including teachers' evaluation. By the end of 2017, adopt legislation for a hospital reform and universal healthcare coverage.</th>
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<td><strong>Some progress</strong> regarding the capacity of the public employment services with the initiation of the recruitment of additional counsellors, which will also facilitate the active labour market policies. A web platform to facilitate recruitment of personnel by employers was launched and a project for the use of private employment services by unemployed is being implemented.</td>
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| **Limited progress** some measures are being implemented in relation to the vocational education training system. The new teacher appointing system is in place; however, no progress has

5. Complete reforms aimed at increasing the capacity and effectiveness of the public employment services and reinforce outreach and activation support for young people who are not in employment education or training. **Complete the reform of the education and training system**, including teacher evaluation and actions to increase the capacity of vocational education and training. **Take measures to ensure that the National Health System becomes fully functional in 2020**, as planned.

**Limited progress:**

**Limited progress** insofar, as the capacity of the public employment services increased, but only temporarily and measures to increase the effectiveness are still pending. There has also been limited progress in outreaching and activating young people not in employment, education or training. An action plan was prepared, but its implementation is very slow.

**Limited progress**, as only some areas are progressing well, such as teachers’ appointment system, revised curricula and the introduction of new specialisations in vocational and technical education, in line with labour market needs. However, only limited
been made regarding the evaluation system of teachers.

**Substantial progress** the legislation for the creation of a national health system with universal coverage and the autonomisation of public hospitals was adopted. Secondary legislation and implementing steps are under way.

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|  |  | progress has been made on teachers’ evaluation, where a proposal is still pending. Slow and fragmented progress has been made with the reform of the vocational education and training system, while no progress has been recorded as regards the capacity (infrastructure and facilities).

There has been **some progress** in undertaking measures to ensure that the National Health System becomes functional in 2020 as planned. Secondary legislation has been adopted and the reform of the primary healthcare system is advancing.
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1. Pursue its fiscal policy in line with the requirements of the preventive arm of the Stability and Growth Pact, which entails achieving its medium-term budgetary objective in 2018, taking into account the allowances linked to the implementation of the systemic pension reform and of the structural reforms for which a temporary deviation is granted. **Reduce taxation for low-income earners** by shifting it to other sources that are less detrimental to growth and by improving tax compliance.

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

**Some progress.** The tax wedge on low wages is reduced, but it is estimated to remain relatively high compared to other Member States. The increase in the income-differentiated basic allowance, which is the most effective at reducing the tax wedge for single low income earners, accounts for the small share of the total reform costs. The tax cutting measures are only partly compensated by the increases in excise duties and stricter VAT administration, thus the tax shifting principle is only partly observed.

**Some progress.** Administrative measures limiting tax evasion are being implemented. The tax administration adopts cooperative approach – the ‘consult first’ principle. The tax administration is reformed by streamlining operations and strengthening capacity.

2. Improve the adequacy of the social safety net and up-skill the labour force by speeding up the curricula reform in vocational education. **Increase the cost-effectiveness of and access to healthcare**, including by reducing out-of-pocket payments and long waiting times.

**Some progress:**

**Limited progress.** Guaranteed minimum income will be increased from EUR 49.80 to EUR 53 as of January 2018; some steps taken to improve current pension adequacy and family state benefits. The minimum income level reform substantially improving social

2. Improve the adequacy of minimum income benefits, minimum old-age pensions and income support for people with disabilities. **Increase the labour market relevance** of vocational education and training, and foster upskilling of low-skilled workers and jobseekers. **Increase the accessibility,**

**Limited progress:**

**No progress.** The most recent plan (2018) to improve the minimum income support system 2019-2020, although announced, has not been implemented. The guaranteed minimum income increase of EUR 3.20 entered into force on 1 January 2018. Several measures
safety net was not implemented in 2017 as planned and no follow-up has been decided.

**Some progress.** As of 2017/2018 school year, modular programmes in 29 out of 56 professional qualifications developed so far are taught in 24 VET schools (doubling over the previous year). Development of 10 planned modular programmes was initiated in 2017, but 174 programmes still remain to be developed. Development of 56 (out of 160 total remaining) professional standards has been initiated in 2017 and 22 of them were approved by the tripartite council for co-operation in VET by the December 2017.

**Some progress.** Public financing for healthcare is increased, but little progress on efficiency enhancing measures. Access to the universal healthcare is expected to be limited by linking service provision to social contributions.

quality and cost-effectiveness of the healthcare system.

were taken to improve the overall situation for the elderly e.g.: indexation of pensions with long insurance periods, supplements to old age and disability pensions for work period before 1996, a time-limited survivor’s pension. In 2018, financial support for families with two and more children was increased. However, the minimum pension and state social security old-age allowance have not been increased.

**Some progress.** No new measures have been taken on the vocational education and adult learning. Ongoing programmes are continuing and are supported using EU funds. VET reforms have picked up pace and work-based learning is being rolled out, but outcomes in terms of the share of VET students and recent graduate employment remain lower than the EU average. While upskilling low-skilled and jobseekers has been strengthened using EU funds, participation in adult learning and active labour market policies remains low and public expenditure on active labour market policies is low. An ESF-funded activation programme for the long-term unemployed was launched in second half of 2018. In April 2018, the Latvian government endorsed the implementation of Latvia’s national skills strategy project to develop a comprehensive medium-term education and skills policy agenda.

**Some progress.** Public financing for healthcare has increased, which has resulted in reduced waiting times for some interventions and increased availability of health services, but the
### 3. Increase efficiency and accountability in the public sector, in particular by simplifying administrative procedures and strengthening the conflict-of-interest prevention regime, including for insolvency administrators.

**Some progress:**

- **Top-down targets** for staff reduction and increasing efficiency of support services are set for the central government, while the more numerous local authorities are not covered.

**Limited progress:** A regulation on the internal control requirements for prevention of risks of conflict of interest and corruption in public institutions was adopted by the Cabinet of Ministers in October 2017. However, a lack of clarity persists on the mechanism of verification of the conflicts of interest and revenues declarations for public officials, as well as on the division of competencies among the institutions involved. A draft law on whistle-blower protection has been dropped by the parliament.

### 3. Strengthen the efficiency of the public sector, in particular with regard to local authorities and state-owned enterprises.

**Strengthen the accountability of public administration** by protecting whistle-blowers, preventing conflicts of interest and following-up on the results of the ongoing assessment of past insolvency proceedings.

**Some progress:**

**Limited progress.** The public administration reform adopted in November 2017 is being slowly rolled out. The public sector reforms exclude municipalities, which enjoy a high degree of autonomy. No measures on governance of local authorities or state-owned enterprises have been presented.

**Some progress.** The adoption of the whistleblower protection law shows substantial progress. Despite an increased effectiveness of the Corruption Prevention and Combatting Bureau, there are delays in the implementation of the National Anti-Corruption Strategy and in adopting relevant provisions, such as a law regulating lobbying activities or a Code of ethics covering politically elected persons. Proposed amendments to the law on conflicts of interest would exempt certain categories of officials from submitting assets and interests declarations. The approach followed for the verification of asset declarations is still unclear.
## 1. Pursue its fiscal policy in line with the requirements of the preventive arm of the Stability and Growth Pact, which entails remaining at its medium term budgetary objective in 2018, taking into account the allowances linked to the implementation of the systemic pension reform and of the structural reforms for which a temporary deviation is granted. **Improve tax compliance and broaden the tax base** to sources that are less detrimental to growth. Take steps to **address the medium-term fiscal sustainability challenge related to pensions.**

### Assessment of implementation of 2017 CSRs
**March 2018**

- **Some progress** (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact):
  - **Some progress** has been made in fighting tax avoidance, but further progress must be made to increase tax compliance and the fairness of the overall system. Despite a decrease in the VAT gap from 28% in 2014 to 26% in 2015, Lithuania still has one of widest gaps in the EU.
  - Lithuania has introduced several measures as part of the smart tax administration system such as e-registering of VAT invoices and e-waybills.
  - These measures have already helped to improve tax compliance and raise revenue.
  - **Limited progress** was made in broadening the tax base.
  - Excise duties on diesel (which has been the lowest in the EU), diesel for agricultural purposes and cigarettes have been increased from 2018 while the exemptions for coal and coke used for heating purposes have been abolished.
  - Property taxation became more progressive since 2018 with a broader tax base.

### Assessment of implementation of 2018 CSRs
**February 2019**

- **Some progress:**
  - **Some progress** was made in fighting the shadow economy but further efforts are needed. Tax compliance remains relatively low. Although Lithuania’s VAT gap decreased slightly from 26% in 2015 to 25% in 2016, it is still one of the largest in the EU.
  - Several public relations campaigns aimed at increasing public awareness and engagement were undertaken.
  - Smart Tax Administration system (i.MAS) measures introduced in recent years resulted in almost halving the time needed to comply with taxes.
  - **No progress** was made in broadening the tax base. The new tax reform does not involve any shift of the tax base towards more growth-friendly sources.
  - Environmental taxes are significantly below the EU average. Taxes on transport are the lowest in the EU and do not take into account vehicles’ environmental performance. CO2-based motor vehicle taxes are not in place in Lithuania. No changes related to car taxation or road-use tax for private passenger vehicles are envisaged.
  - Property taxation remains low and no further changes are planned.
However, environmental and transport taxes remain very low. At the moment, there are no plans to introduce car taxation or road-use tax for private passenger vehicles.

Some progress was made in increasing the sustainability of the pension system. From 2018, pensions started to be automatically indexed to the wage bill growth. This will strengthen the fiscal sustainability of the pension system. However, the new indexation mechanism will still lead to a steady fall in the theoretical replacement rate after 2056, possibly raising concerns for pension adequacy and future sustainability of the system.

Some progress was made with the introduction of the pension indexation formula from January 2018 and additional pension reforms legislated in summer 2018. These reforms increase the fiscal sustainability of the pension system in the medium and long term and, to some extent addresses the issue of adequacy in the short term. Adequacy will also partly depend on the participation rate in the second pension pillar.

In the longer term, however, adequacy might become an issue, mainly due to the low spending on pensions.

2. Address skills shortages through effective active labour market policy measures and adult learning and improve educational outcomes by rewarding quality in teaching and in higher education. Improve the performance of the healthcare system by strengthening outpatient care, disease prevention and affordability. Improve the adequacy of the social safety net.

Some progress:

Some progress was made in addressing skills shortages. Lithuania has adopted a new Law on Employment which will improve provision of the ALMP measures, and the public works will no longer be considered an ALMP measure. The increase in funding for ALMP is envisaged.

Lithuanian Public Employment Service is undergoing a reform, which should result in more staff working directly with job seekers.

Lithuania adopted an action plan for the development of lifelong learning for 2017-2020 in June 2017, and continued expanding and enabling the country-wide network of adult learning

2. Improve the quality, efficiency and labour market relevance of education and training, including adult learning. Improve the performance of the healthcare system by a further shift from hospital to outpatient care, strengthening disease prevention measures, including at local level, and increasing the quality and affordability of care. Improve the design of the tax and benefit system to reduce poverty and income inequality.

Limited progress:

Limited progress was made in the general education area.

The outcomes and efficiency of the general education system remain relatively low. The reforms are ongoing, but no substantial positive effect on educational outcomes has yet been observed, and the efficiency of the education system remains a challenge.

Initial VET is in the process of being modernised; while some positive steps have been taken, it had not yet improved sufficiently the supply of relevant skills for the labour market.

The reform of the higher education network is slow.
coordinators. Further progress in this area, however, is needed.

**Limited progress** was achieved in improving educational outcomes.

At the end of 2017, the government and the trade unions signed a new collective agreement aimed at weakening the link between seniority and salaries and strengthening the link between salaries and quality. Further progress depends on adapting a wider funding system to better reward quality.

Lithuania has started consolidation of higher education institutions, and plans to improve the system of quality assurance, but the reforms are at the initial stage only.

**Limited progress** was achieved in improving the performance of the healthcare.

Some structural elements are already in place to meet the challenge of the status of poor health.

However, there is limited progress in restructuring of healthcare delivery along the efficiency and quality concerns for both primary care and hospital care.

The public health policies should also improve more rapidly, strengthening the accountability at local level and focus on the most serious challenges.

Results of measures taken to reduce the high level of out-of-pocket payments and their substantial financial burden on low income groups remain to be assessed.

The adult learning system is at the initial stage and there has not been any significant improvement in adult participation in learning.

**Limited progress** was made in improving the performance of the healthcare system.

Though preparatory work has been undertaken, legal frameworks for further consolidating the hospital network and strengthening disease prevention at local level have not been approved yet.

Measures were taken to reduce prices of pharmaceuticals, but the measures to address the affordability constraints of specific groups are pending.

Measures taken to improve the quality of care were partial, targeting only primary care entities and limited to the introduction of some monitoring indicators. It is premature to assess whether these measures are sufficient to address quality concerns.

**Limited progress** was achieved in improving the tax and benefit system.

Lithuania has implemented some measures to reduce poverty and social exclusion, namely increasing the level of guaranteed minimum income and introducing the universal child benefit system. The indexation of the minimum income has been established, and the universal child benefit has been increased in 2019. However, public spending on social protection is low, and
Some progress was achieved in improving the adequacy of the social safety net.

Unemployment benefits have been increased in 2017.

The monthly state supported income amount was increased from January 2018 from EUR 102 to EUR 122.

Child benefits have been revised so that low income earners could fully benefit from them as of January 2018.

The automatic indexation of pensions became effective as of January 2018.

However, the indexation of the guaranteed minimum income is not yet in place, and measures need to be taken to ensure progressive phasing out of the benefits in order to keep the incentives of social assistance beneficiaries to enter the labour market.

3. Take measures to strengthen productivity by improving the efficiency of public investment and strengthening its linkage with the country’s strategic objectives.

Lithuania has made limited progress in strengthening productivity by improving efficiency of the public investment.

The Government Resolution on State capital investments was revised and the rules for investment project selection, accountability and control were strengthened. Cost/benefit analyses are required and investment projects need to demonstrate their link with the country’s strategic goals.

The rules for monitoring the implementation of investment projects have been strengthened by introducing EU funds’ ex post evaluation criteria also for state funded projects. The effective

3. Stimulate productivity growth by improving the efficiency of public investment, ensuring efficient governmental coordination of research and innovation policy and tackling gaps and inefficiencies in public measures supporting science-industry cooperation.

Limited progress:

Limited progress was made in improving the efficiency of public investment.

Some interim measures were taken to improve the procedures for the preparation, evaluation and selection of public investment projects.

However, the new integrated approach to strategic and investment planning should be put in place only for the 2021-2023 budgeting process.

the impact of social transfers on poverty reduction is limited.

Lithuania introduced some progressivity in its personal income taxation, but the effects on income inequality are expected to be negligible.
application of the new rules still needs to be monitored.

Public investment in R&D dropped significantly in 2016. Business investment in R&D is also lagging behind. The consolidation of higher education institutions is ongoing and the system of institutional R&D funding is being revised. Cooperation between businesses and science remains scarce.

Limited progress was made in the area of R&I.

R&I policy coordination was slightly improved by reassigning responsibility for it to the Ministry of Economy and the Ministry of Education and Science, and transferring the experimental development in companies file to the Ministry of Economics. However, a coherent new R&I policy still needs to be developed.

Some progress was achieved in improving scienceindustry cooperation. Progressive measures were introduced in the evaluation of universities and research institutes (taking account of their ties with businesses), industrial PhDs, innovation vouchers and other schemes.
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<td>SGP: -</td>
<td>March 2018</td>
<td>SGP: -</td>
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<td>MIP: -</td>
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#### 1. Strengthen the diversification of the economy, including by removing barriers to investment and innovation. Remove regulatory restrictions in the business services sector.

**Some progress:**

- **Some progress** on diversifying the economy by taking actions to foster investments in the key priority sectors. By contrast, private investment in R&D continued to decline, indicating that several weaknesses remain in the research and innovation ecosystem, which drag down Luxembourg’s innovation performance. Additionally, barriers remain in the business services sector, which may be hindering private investment.

- **Some Progress.** The government has strengthened its strategy to diversify the economy and some measures have been adopted to foster innovation. Yet, private investment, especially on R&D, and innovation remain low compared with the euro area average.

- **Limited Progress** has been achieved in removing regulatory restrictions in the business services sectors, notably in some professions such as lawyers.

#### 2. Ensure the long-term sustainability of the pension system, limit early retirement and increase the employment rate of older people.

**Limited progress:**

- **Limited progress.** The measures adopted to limit early retirement and increase the employment rate of older people have had a limited impact on addressing the long-term sustainability of public pensions. Moreover, the latest projections adopted by the EPCAWG suggest an aggravation of the impact of

#### 1. Increase the employment rate of older people by enhancing their employment opportunities and employability while further limiting early retirement, with a view to also improving the long-term sustainability of the pension system.

**Limited progress:**

- **Limited Progress.** Limited Progress The employment rate of older workers has stagnated since 2010 and remains one of the second lowest in the EU (39.8% in 2017). Some labour demand oriented policies have been implemented so far, which are having positive results on other population groups, but have failed
age-related expenditure on the long-
term sustainability of public finances.

**Limited progress.** The latest projections
adopted by the EPC-AWG suggest an
aggravation of the impact of age-related
expenditure on the long-term
sustainability of public finances.

**Limited Progress.** The law suppressing
the ‘préretraite de solidarité’ was
adopted in November 2017 but its
impact on the average effective
retirement age and on expenditure is
difficult to assess due to an easing of
restrictions on other kinds of early
retirement schemes.

**Limited progress.** In spite of some
targeted measures, the employment
rate of older workers remains
particularly low at 39.6 % in 2016
compared to 55.3 % on EU average. The
Age Pact to foster age management
measures in businesses seems stalled in
Parliament since its first introduction in
2014.

to improve substantially older workers’
participation in the labour market.

**Limited Progress.** The average effective
retirement age stood at 60.2 in 2016,
well below the statutory age of 65. 59.2%
were early old-age pensions (average ef-
effective age: 59.8), but its impact on the
average effective retirement age and on
expenditure is still difficult to assess due
to an easing of restrictions on other
categories of early retirement schemes.

No further measures intending to provide
incentives for senior workers to stay lon-
ger at work have been announced so far.

**Limited Progress.** No evolution since
2017. The 2016 reform of the profes-
sional reclassification scheme for persons
with working disabilities is expected to
reduce the share of disability pensions
and the ‘pré-retraite de solidarité’, a spe-
cial scheme allowing people to retire
from the age of 57, was abrogated in
2018 but its impact on the average effec-
tive retirement age and on expenditure
is still difficult to assess due to an easing
of restrictions on other kinds of early
retirement schemes. No further measures
intending to provide incentives for se-
nior workers to stay longer at work have
been announced so far. In 2018, the wor-
king group on pensions mandated by
the Government concluded that the
pension system appears to be not sustai-
nable, amid high uncertainty levels, in
the long term projections at unchanged
policies.
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<th>HU</th>
<th>2017 CSRs</th>
<th>Assessment of implementation of 2017 CSRs</th>
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<td>1.</td>
<td>Pursue a substantial fiscal effort in 2018 in</td>
<td>The compliance with the Stability and</td>
<td>1. In 2018, ensure compliance with the</td>
<td>The compliance with the Stability and</td>
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<td>line with the requirements of the preventive</td>
<td>Growth Pact is not assessed in the</td>
<td>Council recommendation of XX June</td>
<td>Growth Pact is not assessed in the</td>
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<td>arm of the Stability and Growth Pact, taking</td>
<td>country reports, but in spring 2018 once</td>
<td>2018 with a view to correcting the</td>
<td>country reports, but in spring 2019 once</td>
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<td>into account the need to strengthen the ongoing</td>
<td>the final data for the previous year are</td>
<td>significant deviation from the adjustment</td>
<td>the final data for the previous year are</td>
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<td>recovery and to ensure the sustainability</td>
<td>available.</td>
<td>path toward the medium-term budgetary</td>
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<td>of Hungary's public finances.</td>
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<td>objective. In 2019, ensure that the nominal</td>
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<td>2.</td>
<td>Complete the reduction of the tax wedge for</td>
<td>Limited progress: Employer’s social</td>
<td>growth rate of net primary government</td>
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<td>low-income earners and simplify the tax</td>
<td>security contribution rate was lowered</td>
<td>expenditure does not exceed 3.9 %,</td>
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<td>structure, in particular by reducing the</td>
<td>by 7.5 % pps. in 2017-2018. However,</td>
<td>corresponding to an annual structural</td>
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<td>most distortive sector-specific taxes.</td>
<td>the tax wedge for low income earners</td>
<td>adjustment of 0.75 % of GDP.</td>
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<td><strong>Strengthen transparency and competition in</strong></td>
<td>remains the highest in the EU.</td>
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<td>public procurement**, by implementing a</td>
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<td>comprehensive and efficient e-</td>
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<td>procurement system, and strengthen the</td>
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<td>anti-corruption framework. **Strengthen</td>
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<td>regulatory predictability, transparency and</td>
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<td>competition in particular in the services</td>
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<td>sector, notably in retail.</td>
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<td><strong>Limited progress:</strong> The upper rate of the</td>
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<td>increasing the number of eligible taxpayers.</td>
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<td>From 2018, draft tax returns for excise</td>
<td>taxpayers. From 2018, draft tax returns</td>
<td>small businesses have been modified</td>
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<td>duties will be prepared by the tax authority</td>
<td>for excise duties will be prepared by the</td>
<td>increasing the number of eligible taxpayers.</td>
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<td>and taxpayers classified as ‘reliable’ will</td>
<td>tax authority and taxpayers classified as</td>
<td>taxpayers. From 2018, draft tax returns for</td>
<td>taxpayers. From 2018, draft tax returns</td>
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<td>benefit from a shorter (30 days) refund</td>
<td>‘reliable’ will benefit from a shorter</td>
<td>excise duties will be prepared by the tax</td>
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<td>period for VAT.</td>
<td>(30 days) refund period for VAT.</td>
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<td>‘reliable’ will benefit from a shorter (30</td>
<td>‘reliable’ will benefit from a shorter (30</td>
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<td>days) refund period for VAT.</td>
<td>days) refund period for VAT.</td>
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**Limited progress:**

In 2019, the government continued simplifying the tax system. The upper rate of the bank levy was lowered further from 0.21 % to 0.2 % and it will stop being applicable for investment companies. The financial transaction tax was abolished for the first HUF 20 000 in individuals’ transactions from 2019. The tax system operates around sixty different taxes, many of which are small and generate administrative burden. Recently, some smaller taxes, such as the cultural tax, were phased out, while others were merged.

**No Progress:** No substantial changes have been introduced for the system of social dialogue, thereby this still remains underdeveloped and ineffective. In consequence, social partners continue to have very limited influence on national decision-making. Regulatory
In 2017, the government launched a modernisation programme of the tax authority to adopt a more client-centred approach in tax collection through digitization, process redesign and professional upgrading.

**Some progress.** Hungary implemented a number of measures to strengthen transparency and competition in public procurement, especially the amendment to the Public Procurement Act. Some improvements are already visible but there is still room for enhancement. The new e-procurement system has been put in operation as of January 2018, which is a big step towards further increasing transparency and competition. Its efficiency and impact is still to be seen in the coming years.

**Limited Progress.** The government’s strategic approach to fighting corruption continues to narrowly focus on integrity within state administration and there is no evidence as to the effectiveness of the measures in preventing corruption. No progress has been made as regards the transparency of asset declarations, whistleblower protection and informal payments in public healthcare. No measures have been taken to reduce favouritism among government officials and there are no indications as to stepping up efforts to investigate corruption allegations involving high level officials. The ESI Funds are financing a number of anti-corruption measures, however actions tackling high level, institutionalised corruption and increasing state impact assessments are not available for a significant number of laws. Lack of meaningful consultation and impact assessment leads to a learning by doing approach, which contributes to frequent changes in the legal framework. Fast track legislation combined with the increased number of new laws worsens the stability of the legal framework and leads to higher costs for businesses, discourages innovation and high value added investments. Sometimes targeted legislations penalise actors (such as the sector specific taxes); in other cases they grant benefits or monopolies.

**No Progress.** Corruption remains a major concern. Hungary’s scores on most corruption indicators have deteriorated over the past years based internationally collated indicators. In particular the score on favouritism is weak. The anti-corruption framework mainly focuses on integrity of public services, while determined action on prosecuting high level corruption is lacking. No steps were taken to reinforce the anti-corruption framework. No measures have been taken to reduce favouritism and ensure merit-based appointments at all levels in public administration. Restrictions on access to information hinder corruption prevention. Public institutions continued to illegally charge fees for requested documents. Some changes have been introduced in the criminal procedure law in July 2018 to clarify the competences of the prosecution against the police and an increase of resources is also foreseen.
transparency are lacking, such as the review the data subject to statutory disclosure or developing publicly available and easily searchable public procurement database with unique identifier linked to economic operators. On a positive note, the statute of limitation of prosecuting corruption was extended in 2017.

**Limited progress** the revision of the professional rules for lawyers removed some restrictions. However, Hungary made no progress in the general area of business services regulation nor in retail. The level of restrictiveness remains high and also legal uncertainty as regards additional restrictions, in particular in retail, remains an issue.

**Limited Progress.** Efforts have been made by Hungary in 2018 to introduce full electronic public procurement, but there is still a wide scope to further improve transparency in tendering processes. The public procurement data are currently not published in a structured form. The Hungarian e-procurement system does not offer access to the system’s data in an open machine-readable format, and there are no searchable functions allowing for listing call for tenders or bids in different categories. Furthermore, there are no functionalities for making aggregate data easily understandable to citizens (e.g. visualisations, statistics).

**No Progress**. Certain services continue to be entrusted to state-owned or private firms specifically created for these purposes. The government continues to exempt certain mergers and acquisitions from competition scrutiny. Short-term regulatory measures with immediate impact on the business environment are being discussed; once adopted, their impact is still to be measured. The legislation imposing a ban on loss-making has been withdrawn, but a new legislative act on authorisation requirements for the transformation of buildings dedicated to retail has been introduced. This legislation is likely to unnecessarily increase the administrative burden on retail companies.

| 3. Better target the public works scheme to those furthest away from the labour market and provide effective support to jobseekers in order to facilitate transitions to the labour market and provide effective support to jobseekers in order to facilitate transitions to the labour market | **Limited progress**. Some progress. As result of legislative changes, participation in the public works scheme is set to decrease under Limited progress. As result of legislative changes, participation in the public works scheme is set to decrease under | 3. Unlock labour reserves through improving the quality of active labour market policies. **Improve education outcomes and increase the participation of disadvantaged** population. | **Limited progress**. Some progress. The strong economic expansion in Hungary raises employment and wages. The |
market, including by reinforcing active labour market policies. Take measures to improve education outcomes and to increase the participation of disadvantaged groups, in particular Roma, in inclusive mainstream education. **Improve the adequacy and coverage of social assistance and the duration of unemployment benefits.**

150 000 by the year 2020, along with the decrease of the budget allocated for the scheme. In parallel with this decrease, the national expenditure for active labour market policies is being gradually increased and new national programmes have been initiated. Since 2016 several ESF co-financed programmes have been running and facilitating the transition from PWS to the primary labour market. ‘Training of Low-skilled and Public Workers’ programme targets public workers and by October 2017 it has had over 50 000 participants. Other ESF (and YEI) supported ALMP programmes initiated in 2015/2016 are being continued. The two major programmes are the ‘Path to the labour market’ and the Youth Guarantee with, respectively, 88 000 and 74 000 participants. Other ESF funded programmes supporting traineeships and entrepreneurship have also been launched.

**Limited progress.** Amendments to the Equal Treatment and Public Education Acts to prevent future segregation have been adopted but they can only have an impact as of the 2018-19 school year. ESIF-funded measures have been launched to support schools in fighting school failure and early school leaving. As of January 2018 teachers are entitled to a salary supplement if working under difficult conditions. However, explicit active desegregation measures which would systematically address the existing segregation in mainstream education are lacking. In addition, some new measures such as the highly competitive entry exam to upper-groups, in particular Roma, in quality and inclusive mainstream education. **Improve the adequacy and coverage of social assistance and unemployment benefits.**

employment rate for the age group 20-64 increased to around 75 % and the unemployment rate fell below 4 % in 2018. However, the gaps in employment and wage outcomes between genders and skills groups remain wide in an EU comparison. Labour market outcomes for various vulnerable groups, including Roma and people with disabilities, are weak. The Public Works Scheme is still disproportionately large. Since 2016 several programmes co-financed by the European Social Fund have been running and facilitating the transition from Public Works Scheme to the primary labour market. Other European Social Fund funded programmes supporting traineeships and entrepreneurship have also been launched and are currently ongoing. The Training of Low-skilled and Public Workers programme targets mostly public workers. Other European Social Fund (and Youth Employment Initiative) supported active labour market programmes initiated in 2015/2016 are being continued. A specific project was also launched to support non-governmental organisations to provide labour market services (such as counselling, mentoring, psychological counselling etc.) for disadvantaged jobseekers. In parallel, participation in the public works scheme is set to decrease, along with the decrease of the budget allocated for the scheme.

**Limited Progress.** Some measures such as the modification of school catchment areas and establishing anti-segregation officers were taken to prevent segregation. However, their impact is...
secondary schools and the reduction of science and general education content taught at vocational grammar schools and vocational secondary schools have further strengthened differences between schools and thereby the selectiveness of the school system.

**Limited progress.** The duration of unemployment benefits is still the lowest in the EU at maximum 3 months and the main income support scheme remained unchanged. However few minor in kind benefits have been expanded and are expected to have some positive impact on child poverty alleviation.

limited by the exemption of non-state schools from the requirement to take disadvantaged pupils, combined with the effect of free school choice. 300 schools showing high rates of drop-out risk are involved in a targeted EU-funded project.

**Limited Progress.** No substantial change in the level and coverage of social benefits, with a few minor in kind benefits have been expanded. No change in the duration of unemployment benefits, however, the ratio of people staying unemployed for less than three months slightly improved recent years.
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<th>MT</th>
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<td></td>
<td><strong>1. Expand the scope of the ongoing spending reviews</strong> to the broader public sector and <strong>introduce performance-based public spending.</strong></td>
<td><strong>Some progress</strong> (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact)</td>
<td><strong>Limited progress:</strong></td>
<td><strong>In the area of pensions, a Pension Strategy Group was established in 2018 and a report is expected by December 2020, outlining recommendations for improving adequacy and sustainability of the pension system. Efforts are continuing to diversify retirement income and reduce dependency on state pensions. The 2019 budget strengthens the fiscal incentives for private pension savings and voluntary occupational retirement pensions. The authorities are also incentivising older workers to return to work and stay in work longer, through changes to contributions paid, and addressing low education attainment levels to increase activity, employment and productivity of the population. A first assessment of these initiatives points to very little or no impact on the sustainability of the pension system, but possible increases in non-pension income.</strong></td>
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The authorities envisage that a review will be undertaken at the Management Efficiency Unit and the Malta College for the Arts, Sciences and Technology. They are also planning to institutionalise the spending review function under a directorate within the Ministry for Finance which is tasked with public sector performance and evaluation. This directorate will be also in charge of the monitoring of the recommendations issued in the past years in the three areas concerned by the spending review and coordinate in the future. These initiatives seem promising and should contribute towards increased effectiveness in public spending, provided those are properly implemented.

**2. Ensure the sustainability of the health care and the pension systems, including by increasing the statutory retirement age and by restricting early retirement.**

**Limited progress:**

In the area of health, services are continuing to be decentralised — from hospitals to the primary care level — with new regional primary care centres being built and investment made to gradually expand the use of eHealth. Acute and geriatric care capacity will increase by means of a public-private partnership between the government and a private hospital operator, which
<table>
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<th>2. Ensure the effective national supervision of internationally oriented business by financial institutions licensed in Malta by strengthening cooperation with the host supervisors in the countries where they operate.</th>
<th>Some progress:</th>
<th>1. Strengthen the overall governance framework by enhancing the national supervision of internationally oriented financial businesses licensed in Malta, by ensuring the effective enforcement of the Anti-Money Laundering framework and by continuing to step up the fight against corruption.</th>
<th>Limited progress:</th>
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<td>The authorities are making effort in securing more resources in the supervisory departments, whereby a high number of open vacancies proof that MFSA is understaffed. However, the process of reinforcing supervision of cross-border entities is slow and for the small supervisory body, such as in Malta, cross-border supervision remains an issue. In this respect, the Maltese authorities need to further ensure strong cross border supervisory cooperation, in order to assure the protection of freedom of services and also to protect the reputation of their jurisdiction, given the importance of the large cross-border financial sector registered in Malta.</td>
<td></td>
<td>Some steps have been taken on financial supervision and against money laundering. The MFSA has introduced a number of strategic initiatives aimed at enhancing its supervisory capacity and regulatory performance. No significant steps have been taken to strengthen the anti-corruption framework. In particular, the police still appears understaffed. A reform is planned to increase the capacity of the Economic Crimes Squad by 2020. Also, the Permanent Commission against Corruption (PCAC) conducts investigations either on its own initiative or in response to reports by anyone. However, structural flaws hinder its ability to independently and effectively fulfil its role.</td>
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1. While respecting the medium-term objective, use fiscal and structural policies to support potential growth and domestic demand, including investment in research and development. **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.

**Some progress:**

**Substantial progress.** The government has taken fiscal measures that support domestic demand, in particular increasing expenditure on security and on teachers’ salaries.

**Some progress.** From 2018 onwards, the government increases expenditure on research and development.

**Some progress.** The government has announced to accelerate the reduction of mortgage interest tax deductibility from 2020 onwards until it reaches 37% in 2023, which is still relatively high. For the rental market, the government has created a roundtable on the middle segment rental market (Samenwerkingstafel Middenhuur) to bring stakeholders together to discuss challenges and solutions in the rental market. The roundtable will issue recommendations on how to stimulate the middle segment of the rental market. Furthermore, the Law on Spatial Planning was amended in 2017, allowing municipalities to set aside zones specifically for building middle segment rental dwellings. Other remaining distortions in the social housing sector have not been addressed.

2. Tackle remaining barriers to hiring staff on permanent contracts. **Address the high increase in the self-employed without employees, including by**

**Limited progress:**

**Limited progress.** The government has announced several additional measures

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**Assessment of implementation of 2017 CSRs**

**Assessment of implementation of 2018 CSRs**

March 2018

February 2019

1. While respecting the medium-term objective, use fiscal and structural policies to support potential growth and private investment in research, development and innovation. **Take measures to reduce the debt bias for households and the remaining distortions in the housing market**, in particular by supporting the development of the private rental sector.

**Substantial progress:**

**Substantial progress.** The government is implementing a fiscal stimulus, which includes public investment, while respecting the medium-term objective. The announced increase in R&D expenditure in 2019 has been incorporated in the budget law. The R&D tax credit budget (WBSO) will also be increased from 2020 onwards, increasing the subsidy on R&D related costs. At the same time, a gap remains compared to the R&D target of 2.5% of GDP.

**Limited progress:**

**Limited progress.** The government has announced several additional measures

2. Reduce the incentives to use temporary contracts and self-employed without employees, while promoting adequate social protection

**Limited progress:**

**Limited progress.** The draft bill Wet Arbeidsmarkt in Balans (sent to
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- **Reducing tax distortions favouring self-employment, without compromising entrepreneurship, and by promoting access of the self-employed to affordable social protection. Based on the broad preparatory process already launched, make the second pillar of the pension system more transparent, inter-generationally fairer and more resilient to shocks. Create conditions to promote higher real wage growth, respecting the role of the social partners.**

- **Limited progress.** The government has announced the introduction of a minimum hourly rate for the self-employed and ideas for further reflection, but no legislative measures have yet been presented. The announced reduction of tax brackets from four to two may reduce the maximum rate of specific tax deductions for some self-employed not operating at the margin of the labour market in a phased manner. No specific measures have been announced on the social security coverage of the self-employed.

- **No progress.** The government has confirmed its intention to reform the second pillar of the pension system, but no measures have been announced so far.

- **Limited progress.** The government has acknowledged the need for higher real wage growth. The announced new fiscal measures will reduce the tax burden on labour income. In addition, the coalition agreement includes an increase in expenditure on teachers’ salaries. In general, wage setting is the competence of the social partners and recent wage demands (and those already agreed for certain sectors) are substantially higher for 2017 and 2018. A tightening of the labour market is expected to push up real wage growth.

- **For the self-employed, and tackle bogus self-employment. Create conditions to promote higher wage growth, respecting the role of the social partners. Ensure that the second pillar of the pension system is more transparent, inter-generationally fairer and more resilient to shocks.**

- **Parliament on 7 November 2018 contains a package of proposed measures to make it easier to hire permanent employees and to make flexible contracts less flexible. It should be seen as a first step in a broader process of labour market regulation reform measures and ongoing reflections on how to best tackle distinct institutional drivers properly. In addition, a committee of independent experts was set up to advise the government on how to regulate the labour market in the future taking into account the changing economy and society. It should present its report and findings at the latest by 1 November 2019. On possible initiatives for the self-employed without employees, the Minister informed Parliament on 26 November 2018 on the current state of play of ongoing reflections on possible social security coverage for sickness and disability of the self-employed. However, no concrete measures have been announced/adopted yet.**

- **Limited progress.** Wages in collective agreements increased on average by 2.1% in 2018. Public sector wages increased at a faster rate (by 3% in the second half of 2018), with wage agreements leading to a nominal increase of 7% in two years for all civil servants in central government. Additional funding has been provided to increase the salaries of primary school
teachers. The government has taken tax measures that support higher disposable real incomes of households. Overall, wage growth is expected to increase further due to a further tightening labour market.

**Limited progress.** Despite a shared understanding among stakeholders of the need for comprehensive pension reform, negotiations stalled in mid-November 2018. The government informed Parliament with a letter setting out the government initiatives to continue reforming the occupational pension system in early February 2019.
1. Pursue its fiscal policy in line with the requirements of the preventive arm of the Stability and Growth Pact, which entails achieving its medium-term budgetary objective in 2018, taking into account the allowance linked to unusual events. Ensure the sustainability of the healthcare system and of the pension system. Rationalise and streamline competencies across the various layers of government and align their financing and spending responsibilities.

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

Some progress in improving the sustainability of the healthcare sector, including by improving public procurement practices. The reform of primary healthcare services is progressing. The reform is expected to help shifting services away from the hospital sector, thus containing expenditure in the medium term.

No progress on ensuring the financial sustainability of the pension system. No new measures taken so far. However, due to the proper implementation of previous measures aimed at encouraging later retirement, the effective retirement age is increasing.

Limited progress on reforming fiscal relations between the various layers of government. The Parliament ratified the increased autonomy for federal states to set the contribution rate for the housing subsidy. Although this is a step towards increased tax autonomy at the subnational level, the amount of additional revenues potentially raised by this subsidy is small compared to the spending powers of federal states. The pact for the 2017 Financial Equalisation Law contained several more ambitious
initiatives that still need to be implemented.

2. Improve labour market outcomes for women through, inter alia, the provision of full-time care services. Improve the educational achievements of disadvantaged young people, in particular those from a migrant background. Foster investment in the services sector by reducing administrative and regulatory barriers, easing market entry and facilitating company growth.

Some progress: Some progress in improving labour market outcomes for women but there is still a high proportion of women in part-time work, and a high gender pay gap. Limited progress in improving child care services. Despite increasing child care provision Austria is still below the Barcelona criteria for the age under 3 years old. In addition there are considerable regional differences in child care provision and the quality of the child care provision does not allow parents to work longer due to opening hours of child care facilities. Limited progress in improving the educational achievements of disadvantaged young people, in particular those from a migrant background. Some progress. Austria adopted a revision of the Trade Licence Act (Gewerbeordnung) in July 2017. The 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 around 10 % currently). However, the high number of regulated trades (reglementierte Gewerbe) task-oriented financing and spending reviews are at risk of being delayed. A comprehensive constitutional reform for a more transparent assignment of competences is high on the political agenda. The “Kompetenzbereinigungspaket” can be seen as a first step into the right direction but more needs to be done.

2. Reduce the tax wedge, especially for low-income earners, by shifting the tax burden to sources of revenue less detrimental to growth. Improve labour market outcomes of women. Improve basic skills for disadvantaged young people and people with a migrant background. Support productivity growth by stimulating digitalisation of businesses and company growth and by reducing regulatory barriers in the service sector.

Some progress: Some Progress. While several measures have been implemented that contribute to reducing the tax wedge on labour, the overall tax structure remains basically unchanged. The potential to shift the tax burden to other bases (e.g., wealth or environmentally harmful activities) still remains under-utilized. Some Progress. Labour market outcomes of women improved mainly as a result of implementing the Agreement (in accordance to Art 15a of the Federal Constitution Act) of the government with the provinces on early childhood education and care for the years 2018/19 until 2021/22. This led to expansion of formal childcare opportunities for children under the age of 3 years and an increase of full-day school forms. In the absence of other measures, female employment rates still increased mainly due to part-time employment the share of which remains high together with a high gender pay and employment gap. The Barcelona target has still not been reached and there are disparities in childcare provision between the regions. Limited Progress. Expansion of all day schools risks to slow as the implementation period of the additional...
remains largely unchanged (two trades were liberalised). The law still requires separate licence entries for each additional trade exercised beyond the Nebenrechte described in Section 3.4 above. Austria has also simplified 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 and publication requirements will be reduced. A one-stop shop has been introduced for federal-level permits but the plan to also integrate federal state-level permits was not adopted. For other restrictions on access to and exercise of regulated professions only relatively minor changes have been implemented. This included a reform of the law on economic trustees (Wirtschaftsrechtsberufsgesetz), where education requirements were simplified.

funding (EUR 750 million) that has already been made available has been doubled, now until 2032. Reforms intended and implemented partially counteract previous reforms. They are not always in line with best practice in the OECD and the EU, therefore their positive impact has still to materialize. This is also the case for the pedagogical package (Pädagogikpaket 2018). Positive is that formerly temporary funding for German language support has now been integrated into the education budget. However this was done without making available additional resources for the education budget.

**Some Progress.** The “KMU Digital” programme to support business digitalisation has been prolonged by three months. A new digital agency has been established which will develop policies in five key areas, including business digitalisation. A call for proposal to establish Digital Innovation Hubs in the regions has been launched. These hubs will support small and medium-sized enterprises, universities and municipalities in the uptake of digital technologies.

**Limited Progress.** As a key measure to improve (fast) growing companies’ access to the necessary funding, Austria adopted a revision of its stock corporation law to remove obstacles to SME listings on the Viennese stock market. The lack of a specific segment dedicated to SME at the Vienna Stock Exchange was a marked contrast to other countries. Service sector companies profit from Austria’s
| administrative burden reduction efforts, such as the 2018 law to repeal roughly half of the federal laws adopted before 2000. Austria has however not addressed the restrictions on key professions identified in 2017 by the Commission. The government programme has neither announced specific measures to address the identified restrictions nor a wider review of service sector restrictions. |
1. Pursue a substantial fiscal effort in 2018, in line with the requirements of the preventive arm of the Stability and Growth Pact, taking into account the need to strengthen the ongoing recovery and to ensure the sustainability of Poland’s public finances. Take steps to improve the efficiency of public spending and limit the use of reduced VAT rates.

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

Limited progress has been made in improving the efficiency of public spending. In 2017, work continued on a reform of the budget process that was announced in 2016. Measures are planned to support macroeconomic forecasting, help modernise the Chart of Accounts to facilitate a move towards accrual accounting, and to strengthen the medium-term budgetary framework. The work also continued on amendments to the public finance law that would in particular incorporate spending reviews in the budgetary process and strengthen the role of internal audit in the public sector. No implementation date for the reform of the budget planning and budgetary procedures has been set.

No progress was made on limiting the extensive use of reduced VAT rates.

2. Take steps to increase labour market participation, in particular for women, the low-qualified and older people, including by fostering adequate skills and removing obstacles to more permanent types of employment. Ensure the sustainability and adequacy of the pension system by taking measures to increase the effective limited progress:

Limited progress has been made as regards measures to increase labour market participation. Some policy measures can be expected to increase activity. In particular the creation of nurseries should become easier and the public funding for them was increased.

2. Take steps to increase labour market participation, including by improving access to childcare and by fostering labour market relevant skills, especially through adult learning, and remove remaining obstacles to more permanent types of employment. Ensure the sustainability and adequacy of the pension system by

Limited progress in increasing labour market participation by improved access to childcare. Poland made limited progress in fostering labour market relevant skills. Progress in VET and higher education remain to be seen. No progress in adult learning. No progress
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<th><strong>retirement age and by starting to reform the preferential pension arrangements.</strong></th>
<th><strong>The number of places in kindergartens was also increased. Some barriers to permanent employment may potentially be removed by new labour codes, but the drafts have not yet been published. No government decision has been made on the higher education reform. Simultaneously, the lowered statutory retirement age acts towards limiting labour market participation. Labour market participation of the respective groups increased during the last 3-4 quarters thanks to a strong cyclical position of the economy.</strong></th>
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<td><strong>No progress</strong> has been achieved in ensuring the sustainability and adequacy of the pension system. The sustainability and adequacy of the pension system was weakened by lowering of the statutory retirement age which came into force on 1 October 2017. No measures have been implemented to increase the effective retirement age. Also no measures have been taken to start reforming the preferential pension arrangements.</td>
<td><strong>taking measures to increase the effective retirement age and by reforming the preferential pension schemes.</strong></td>
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<td><strong>Limited progress:</strong></td>
<td><strong>Limited progress in removing remaining obstacles to more permanent types of employment.</strong></td>
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3. **Take measures to remove barriers to investment, particularly in the transport sector.**

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<th><strong>Limited progress:</strong></th>
<th><strong>Limited progress in ensuring the sustainability and adequacy of the pension system, as no progress was observed in measures to increase the effective retirement age and in reforming the preferential pension arrangements. In November 2018, the government announced plans to reverse some of the 2013 reforms as regards the pension system for police officers.</strong></th>
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<td><strong>No progress</strong> in ensuring legal certainty and trust in the quality and predictability of policies, including regulatory changes, and institutions.</td>
<td><strong>Limited progress in strengthening the innovative capacity of the economy, including by supporting closer collaboration between business and research institutions.</strong></td>
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<td><strong>Limited progress</strong> has been made as regards the construction-related procedures: the government is working on legislative proposals that, if effectively implemented, could simplify environmental procedures and issuing construction permits. Some progress has been achieved in ensuring legal certainty and trust in the quality and predictability of policies, including regulatory changes, and institutions.</td>
<td><strong>Limited progress in strengthening the innovative capacity of the economy through: increased R&amp;D tax incentives with higher rates of tax deductions; The Ministry of Science and Higher Education continued its industrial doctorate programme, while the NCBR continued with the Gospostrateg, a strategic initiative linking Higher Education institutions, public research organisations (PROs) and government organisations to address key challenges.</strong></td>
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<td>been made in removing obstacles to investment in the transport sector. The contracting and implementation of rail and road projects was accelerated and some new legislative and non-legislative measures were implemented or are in the legislative process.</td>
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| PT | 2017 CSRs  
SGP: CSR 1  
MIP: CSR 1, 2, 3, 4 | Assessment of implementation  
of 2017 CSRs  
March 2018 | 2018 CSRs  
SGP: CSR 1  
MIP: CSR 1, 2, 3 | Assessment of implementation  
of 2018 CSRs  
February 2019 |
|---|---|---|---|---|
| 1. Ensure the durability of the correction of the excessive deficit. Pursue a substantial fiscal effort in 2018 in line with the requirements of the preventive arm of the Stability and Growth Pact, taking into account the need to strengthen the ongoing recovery and to ensure the sustainability of Portugal’s public finances. Use windfall gains to accelerate the reduction of the general government debt-to-GDP ratio. **Step up efforts to broaden the expenditure review to cover a significant share of general government spending across several policies.** **Strengthen expenditure control, cost effectiveness and adequate budgeting,** in particular in the health sector with a focus on the reduction of arrears in hospitals and ensure the sustainability of the pension system. To **increase the financial sustainability of state-owned enterprises** set sector-specific efficiency targets in time for the 2018 budget, improving state-owned enterprises’ overall net income and decreasing the burden on the State budget. | **Limited progress** (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact):  
**Some progress.** The savings from the spending review in 2018 are more ambitious than previously at EUR 290 m. The exercise is also being expanded into new sectors, as justice and internal affairs have been added to the existing areas of education, healthcare, SOEs, public sector real estate management and centralised public procurement. Some progress has already been made in the justice sector, such as the introduction of efficiency enhancing reforms in the courts, while plans to reduce the costs associated with the legal treatment of seized vehicles are under development, although the extent of estimated savings from the latter are unclear. A series of reforms in the internal affairs sector are being planned but have not yet reached the stage of implementation. Human resource management more generally (including recruitment procedures, incentives for staff to innovate) is being presented as a cross-sectorial area for savings, with a particular focus on reducing absenteeism. Broadening the review to cover an even more significant share of general government spending across several policy areas would represent another positive step forward. | 1. Ensure that the nominal growth rate of net primary government expenditure does not exceed 0,7 % in 2019, corresponding to an annual structural adjustment of 0,6 % of GDP. Use windfall gains to accelerate the reduction of the general government debt ratio. **Strengthen expenditure control, cost effectiveness and adequate budgeting,** in particular in the health sector with a focus on the reduction of arrears in hospitals. **Improve the financial sustainability of state-owned enterprises,** in particular by increasing their overall net income and by reducing debt. | **Limited progress** (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact):  
**Limited Progress** has been achieved in putting persistently high hospital arrears on a steadily declining path. Cost effectiveness continued to be promoted in the health sector in 2018, including through an increased reliance on centralised purchasing, and a greater use of generics and biosimilars. However, despite substantial clearance measures, hospital arrears remain elevated and have not decreased in a steady and durable manner; after achieving an intra-annual minimum level in April 2018, hospital arrears have resumed their gradual increase in the following months. A mission structure was set up in 2018, on the basis of whose recommendations a new programme to address hospital arrears is to move forward in 2019. Although the programme is a promising first step in the right direction, it remains to be seen whether it will lead to a sizeable reduction in the short term. | **Limited Progress** has been achieved in improving the financial sustainability of state-owned enterprises (SOEs). The previous goal for SOEs as a whole to achieve a net income close to, but still below, equilibrium in 2018 was
Limited progress has been achieved on the reduction of hospital arrears, which keep increasing. Certain initiatives have been announced, such as a new Budget Analysis Unit as well as the implementation of Integrated Responsibility Centers in 2018, although it remains unclear whether these efforts will be sufficient to address the hospital arrears problem. Some progress has been made however in terms of increasing cost-effectiveness in the National Health Service, for instance through an increased reliance on centralised purchasing, increasing digitisation and through efforts to increase the use of generics and biosimilars.

Some progress. A far-reaching proposal for early retirement reform was announced in spring 2017 with the potential to deteriorate the sustainability of the pension system. The scope of the reform, however, has since been limited to the first phase concerning only very long careers (with a limited fiscal impact). The potential implementation of further phases (with a substantial fiscal impact) originally scheduled for 2018 onwards has been suspended.

For the first time in recent years, the extraordinary transfers from the state budget to finance the social security deficit will end in 2018. The end of the extraordinary transfers will be enabled primarily by the projected strong increase in social contributions. Certain discretionary measures are, however, also increasing pension expenditure in postponed until 2019. Overall, planned rationalisation efforts and enhanced monitoring were delayed and lagged to translate into corrective action where needed in 2018. Measures to enhance the monitoring of SOEs and to ensure closer adherence to their initial budgetary are to be implemented in 2019.
2018 (early retirement for very long careers, extraordinary pension increases.)

A portion (0.5%) of the corporate income tax revenue is set to be earmarked to the Financial Stabilisation Fund in 2018. This earmarking is planned to increase in a progressive way by 0.5 pps. per year until it reaches 2% in 2021. This is projected to transfer EUR 70 m to the Fund in 2018. Earmarking funds in this way does not, however, represent new sources of revenue as such.

**Limited progress.** The SIRIEF system's upgrade to automatically draw information from the accounting systems of public companies will be widely applied in 2018. Activity and Budget Plans submitted by SOEs to UTAM (the Ministry of Finance's task force on SOE monitoring), are beginning to be evaluated more comprehensively, with new tools such as an SOE risk assessment methodology to be deployed in 2018. While the DBP committed to limit the overall growth of public company debt to 2% per year (net of capital increases and the financing of new investments), total non-consolidated debt of public corporations included in general government remains high, and is only falling slowly. The State is continuing its recapitalisations of SOEs in order to reduce indebtedness and improve financial results. The 2018 DBP projects the total net income of non-financial public companies to remain negative but to continue to improve (EUR -118 m in 2018), an improvement from the very
large losses previously incurred (EUR -461 m in 2017 and EUR -1293 m in 2014). Operational results (EBITDA) of SOEs generally improved between Q2-2016 and Q2-2017, particularly in the transport sector, although the results for the health sector are worsening.

2. Promote hiring on open-ended contracts, including by reviewing the legal framework. **Ensure the effective activation of the long-term unemployed.** Together with social partners, ensure that minimum wage developments do not harm employment of the low-skilled.

**Some progress:**

**Limited progress.** On promoting hiring on open-ended contracts, there are planned measures like Contrato-Geração (support granted for hiring, as a general rule, on permanent contracts), the revision of labour law to restrict the use of fixed-term contracts (with ongoing discussions with social partners) and tax incentives for the use of permanent contracts. In 2018 negotiations will be initiated between the Government and the social partners in the Permanent Committee for Social Dialogue in order to find concerted responses to the main challenges identified in the Green book on Labour Relations and to include measures to reduce market segmentation work.

**Some progress.** The monitoring framework of the Council Recommendation on integrating the long-term unemployed shows that almost all registered long-term unemployed people had a job integration agreement in 2016, of which 20.6% regained employment. The implementation of one stop shops for Public Employment Services and Social Services is planned in the first quarter of 2018. This measure has been included in the Budget for 2018. The planned Contrato-Geração also addresses...
long-term unemployed in the form of cumulative incentives for the simultaneous recruitment of young unemployed people (or the ones searching for their first job) and the long-term unemployed, aiming to focus support on the ones with greatest difficulty in entering or returning to the labour market. According to Portuguese authorities, PES’s structures and measures to support the creation of entrepreneurial projects and self-employment will also be evaluated and the re-evaluation of the Contratos Emprego-Inserção will be implemented with the purpose of bringing them back to their original goal in activating the unemployed and the inactive.

Some progress. Minimum wage increased three times since October 2014, pointing to a cumulative increase of 14.2%. A further increase happened in January 2018 (EUR 580). In absolute level, the minimum wage remains low when compared to the EU but it is high when compared to the Portuguese average and median wage. This compressed wage structure has led to a substantial rise in the number of employees covered (from 19.6% in October 2014 to 23.3% in October 2016). The employment rate of low-skilled workers is comparatively high in Portugal and minimum wages increases have not prevented their employment rate from rebounding. The Portuguese government publishes quarterly reports to monitor minimum wage developments, which are discussed with social partners. In this context, the Portuguese Government takes into

inclusion, employability and competitiveness.

Some Progress. Measures are being implemented to strengthen the attractiveness and completion rate in higher education. The review of the Higher Education System is ongoing. Graduate numbers in information and communication technologies are low.
account the quarterly monitoring of minimum wage increases impacts, which have been developed within the CPCS (standing committee for social dialogue).

### 3. Increase the efficiency of insolvency and recovery proceedings and reduce impediments to the secondary market for non-performing loans.

**Some progress:** Following an exhaustive analysis of the banks’ bad loans by type, vintage, size and sector of activity, the issue of non-performing loans is being addressed by a three-pronged strategy: changes to the judicial, legal and tax systems; prudential/supervisory actions led by the central bank following SSM guidance and NPL management solutions. Many of the measures so far announced have already been either approved or implemented. In that context a simplified regime aiming to facilitate the transfer of NPL portfolios is in the legislative pipeline. The regime will allow mass registration of the transfer of collateral and the mass communication to courts in insolvency proceedings.

**Some progress.** The government took several actions to improve access to capital. Among them, in 2017 new financial instruments have been introduced in the Capitalizar programme, and the implementation of several announced measures is expected in the course first of quarter of 2018, including a Business Gateway website to centralize the financing support information. Moreover, the authorities recently approved the new programme Internacionalizar, which foresees financial instruments to

### 3. Step up efforts to clean up the balance sheets of credit institutions by implementing a comprehensive strategy addressing non-performing loans, including by enhancing the secondary market for bad assets.

**Some progress:** Portugal has adopted plans to introduce an early warning system for companies in difficulties, which will help identify companies in financial difficulties at an early stage. Some measures aimed at shortening the long proceedings and improving the efficiency of the court system were implemented in 2018.

**Some Progress has been made to improve access to finance.** Several programmes, such as Capitalizar and Internacionalizar, have included in 2018 credit lines to ease access to finance (notably the credit lines of Capitalizar have been increased compared to 2017). Other programmes, including those initiated in previous years, have targeted specific sectors. However, alternative sources of finance showed limited improvement (also due to limited awareness of available opportunities) and, although improvements, equity capital remains low, and venture capital investments (expressed as share of GDP) are among the lowest in OECD countries and still below pre-crisis levels.

**Some Progress** has been made in reducing administrative burden. The SIMPLEX programme introduced further measures introducing some horizontal simplification and the implementation of the once-only principle has reduced
support SMEs, notably to foster exports. However, for the time being, alternative sources of finance remain overall of little relevance for Portuguese firms, and venture capital did not yet recover to the pre-crisis level.

Some Progress. According to data provided by the Portuguese authorities the overall evolution as regards clearance rates in Administrative and Tax Courts between 2015 and 2017 showed a sustained improvement (79.9% in 2015 and 105% 2017 [1]). Disposition time remains high and its reduction for the same period is slow.

No Progress has been made in removing persistent regulatory restrictions for highly regulated professions, however some preliminary steps in the right direction have been taken. In July 2018 a study conducted jointly by the OECD and the Portuguese Competition Authority was published. It identified restrictions to competition in the legal framework of highly regulated professions and presented a number of reform recommendations. It is expected that the Portuguese Government will follow up on the reform recommendations, however the extent of the action as well as the timeframe are yet to be defined.

Some Progress. According to data provided by the Portuguese authorities the overall evolution as regards clearance rates in Administrative and Tax Courts between 2015 and 2017 showed a sustained improvement (79.9% in 2015 and 105% 2017 [1]). Disposition time remains high and its reduction for the same period is slow.

some document submission obligations, however few sector-specific simplification has been achieved. The production of evidence by the applicant is still the norm rather than the exception; responsible declarations is a form of control seldom taken up by the Portuguese administration. Burdensome authorisation procedures remain the preferred manner of entry control for service providers, with long procedural deadlines for decision and absence of tacit approval persisting in too many instances.
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<td>4. Implement a roadmap to <strong>further reduce the administrative burden and tackle regulatory barriers</strong> in construction and business services by the end of 2017. <strong>Increase the efficiency of insolvency and tax proceedings.</strong></td>
<td><strong>Limited progress.</strong> The SIMPLEX program is introducing some administrative simplification for public procurement and some horizontal issues relevant for business administration relations, mainly through eGovernment initiatives of digitalisation and implementation of the once-only principle. However, SIMPLEX seldom includes amending applicable procedural rules such as shorter deadlines, fewer competent authorities involved, inclusion of tacit approval, reduction of document submission requirements. Development of the Point of Single Contact remains slow.</td>
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|   | **Limited Progress.** No reform was put in place regarding business services however some authorisations in the construction sector for gas and electrical installations were replaced by declarations of responsible professionals. | **Some progress.** Disposition time for first instance litigious civil and commercial cases decreased slightly in 2016 (289 days) compared to 2015 (315 days). A range of measures aiming at |}

(2015: 992 days, 2016: 911 days, 2017: 988). Portugal introduced a set of measures to reduce case-backlogs and additional measures to promote further e-justice and the specialization of courts. As regards insolvency proceedings, new measures have been taken. All these measures are expected to have a positive impact on the efficiency of the PT Justice system in the near future. See CSR 3 (removing persistent regulatory restrictions, increasing the efficiency of administrative courts)
increasing the efficiency and quality of justice has been undertaken in 2017 and a number of measures are planned for 2018.
1. In 2017, ensure compliance with the Council Recommendation of 16 June 2017 with a view to correcting the significant deviation from the adjustment path toward the medium-term budgetary objective. In 2018, pursue a substantial fiscal effort in line with the requirements of the preventive arm of the Stability and Growth Pact. Ensure the full application of the fiscal framework. Strengthen tax compliance and collection. Fight undeclared work, including by ensuring the systematic use of integrated controls.

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

**No progress** on ensuring the application of the fiscal framework. The 2017 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** Despite an improvement registered in 2015, the VAT gap in Romania remains the highest in the EU. The size of the informal economy is also large (22.1% according to 2014 estimates), reflecting significant tax evasion and undeclared work. Moreover, the mandatory introduction of electronic cash registers connected to the tax administration’s IT system, which was supposed to help improve VAT collection, has been postponed again.

**Some progress.** A number of important modifications were made to the labour and fiscal codes broadening the definitions of undeclared work. Under-declared earnings are now explicitly included. Coercive measures were expanded, also benefiting from media coverage, but preventive measures are still insufficiently used. However, in 2018

1. Ensure compliance with the Council recommendation of … June 2018 with a view to correcting the significant deviation from the adjustment path toward the medium-term budgetary objective. **Ensure the full application of the fiscal framework. Strengthen tax compliance and collection.**

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

**No progress** on ensuring the application of the fiscal framework. The 2018 budget did not comply with the deficit rule, which requires compliance with the adjustment path towards the medium-term structural objective. The 2018 budget amendment from September broke, among others, rules prohibiting increases in: (i) the nominal headline and primary deficit ceilings during the fiscal year; and (ii) personnel expenditure and total government expenditure excluding EU funds during the fiscal year. The second 2018 budget amendment, published in November, also broke several national fiscal rules. Moreover, as in previous years, the authorities did not send an update of the medium-term fiscal strategy to Parliament by the statutory August deadline.

**Limited progress.** The Romanian tax administration (ANAF) has recently updated its guidelines on the registration of certified cash registers and the issuing of single identification numbers for cash registers. They have been more active in using risk assessment for the management and auditing of taxpayers, mostly for value-added tax (VAT) and corporate income...
the labour inspection conducted fewer joint inspections compared to the previous year due to the late signature of the memorandum of understanding with ANAF. Social partners are still insufficiently involved, the dialogue with external stakeholders is still relatively weak, and quality management is at early stages.

| | | tax purposes. However, the relative weight of the unobserved economy is about 22.5% while the VAT gap (i.e. the difference between the VAT liability theoretically due and VAT actually collected) remained the highest in the EU in 2016 (at about 36%). The introduction of the cash registers with an electronic memory connected to the servers of ANAF is slowly being implemented, also due to suppliers' shortages. |
2. Strengthen targeted activation policies and integrated public services, focusing on those furthest away from the labour market. **Adopt legislation equalising the pension age for men and women.** Establish a transparent mechanism for minimum wage-setting, in consultation with social partners. **Improve access to quality mainstream education**, in particular for Roma and children in rural areas. **In healthcare,** shift to outpatient care and curb informal payments.

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| **Limited progress** Despite measures to include more categories of disadvantaged groups and to improve the financial attractiveness, the active labour market policies appear insufficiently well designed and the administrative burden remains a disincentive for employers. There is no case management for long-term unemployed and social assistance beneficiaries or cooperation procedures between public employment services and social assistance or educational services. Some progress has been made with outreaching young people not in education, employment or training following the signing of the project INTEPSO. Progress on introducing integrated teams in the most disadvantaged communities is limited, despite several months of discussions, due to lack of involvement of certain actors, low political priority and rigid employment provisions. **No progress.** The bill on pension age equalisation for men and women is still pending in parliament. **No progress.** Despite a proposal for an objective mechanism endorsed by the social partners as a good basis, the minimum wage continues to be set on a discretionary basis. Moreover, the opinions of the social partners are not taken into account, even when they converge, as it was the case for the recent transfer of social contributions to employees and the changes to the Fiscal code. **Limited progress.** The Law on minimum inclusion income is expected to enter into force in April 2019. However, no visible progress has so far been observed. **Limited progress.** The social dialogue law is currently in being debated in Parliament after a long period of consultation with relevant stakeholders. Another competing proposal, drafted with the help of some social partners, has also been put forward. Both legislative initiatives are being debated together. Currently, most social dialogue takes place formally, within the Economic and Social Council and the Social Dialogue Committees. Despite the established framework of dialogue and consultations, the stability and the role of these institutions weakened in the most recent period. **No progress.** Minimum wage levels continue to be set in an ad-hoc manner, and are not based on a comprehensive and predictable mechanism. **Limited progress.** in improving the provision of quality inclusive mainstream education, in particular for children in rural areas and Roma. The measures financed by the European Social Fund are in early stages of implementation. Work on developing the early warning mechanism to prevent school dropout continues. The methodology to monitor and prevent school segregation has not been adopted yet. Overall, early school leaving remains very high. Rural-urban disparities and Roma inclusion in...
**Limited progress.** To improve access to quality mainstream education, in particular for Roma and children in rural areas. Implementation of the ESF-financed calls to attract highly qualified teachers in disadvantaged schools and to tackle early school leaving is delayed, with limited or no impact on the ground. The methodology to identify and tackle school segregation has yet to be developed. Implementation of the kindergarten coupon for children from disadvantaged backgrounds has continued, but the number of children not previously enrolled is very low and hence the impact on enrolment rates is only marginal. An early-warning mechanism to identify children at risk of drop-out is being developed and there are plans to launch an ESF-financed call for second chance programmes. However, prevention measures for early school leaving tend to be focused on social programmes, whereas the focus on the quality of education provided is rather limited. Existing measures to address Roma inclusion in education remain insufficient to tackle the magnitude of the challenge. Implementation of the new school curriculum is progressing, but is incomplete, while textbooks have raised a series of controversies. Beyond the ongoing ESF project to finance teacher training in view of the new curriculum, initial and in-service teacher education programmes remain insufficiently geared towards fostering inclusive education in the classroom. The strategy on education infrastructure has been finalized at the end of 2017. However, no specific budget has been set aside for the

**Limited progress.** Since 2018 there have been serious delays in key areas such as integrated community care centres, funding of regional hospitals with related care referral plans, etc. In other relevant areas (such as the uptake of one-day planned surgeries) the effectiveness of previously taken measures remains to be demonstrated. Education remain problematic. While the authorities are planning some measures, active labour market policies continue to provide limited focus on upskilling. A global assessment of skills needs for various economic sectors still needs to be developed and implemented.
implementation of the strategy and the implementation capacity remains very modest.

**Limited Progress.** A variety of measures will be implemented in the 2018 Framework Contract of the National Health Insurance House with the providers: (i) The administrative burden for family doctors will be reduced using eHealth solutions. (ii) In rural areas, pilot projects will be implemented to increase the number of family doctors by setting a pay per performance system. (iii) The fees for specialised ambulatory care will be raised close to the level of day hospital. Other measures are planned in the context of the Regional Health Plans and Regional Master Plans, some of which will required some legislative changes that are currently discussed to be approved by the corresponding Commissions of Specialties: (i) Palliative care is being reorganised with an integrated approach (home-ambulatory-inpatient care) as part of a World Bank project; (ii) In connection with the building of the regional hospitals, some of the beds in the old county hospitals will be reconverted to palliative and long term care; (iii) The Romanian government will invest in infrastructure regarding the ambulatory specialised care (policlinics); (iv) A network of Integrated Community Centres equipped with integrated teams will be developed, complemented with training for community nurses. Nonetheless, the ongoing implementation of the National Health Strategy 2014-2020 (with the overall aim of shifting from inpatient to outpatient care) is marred by shifting priorities, poor investment planning, lack of clear
political commitment and the modest administrative capacity of the Ministry of Health. The progress on mobilizing ESIF to reinforce outpatient care remains very limited. Efforts are still focused on the hospital sector (regional hospitals). While some ESIF calls have been launched and implementation can finally start, the political will to ensure the shift towards outpatient care seems to be lacking.

Some progress. An Integrity Service within the Ministry of Health is connected to the National Integrity Agency and receives support from the National Anticorruption Directorate. The Service monitors patients’ feedback mechanism which was revamped in December 2016. The feedback is based on two elements: a survey of patients’ satisfaction following hospital discharge and a secure telephone line. Between July and October 2017, a total of 164 calls were registered of which 48 involved some offence and 37 were corruption-related. A report on the satisfaction survey is produced on a monthly basis (to be sent to the Commission). The Government and the hospitals are running awareness-raising campaigns. However, it is too early to assess the impact of the above measures on the reduction of informal payments.

| 3. Adopt legislation to ensure a professional and independent civil service, applying objective criteria. Strengthen project prioritisation and preparation in public investment. Ensure the timely full and sustainable implementation of the national public procurement strategy. | Limited progress: Draft legislation sent to the Parliament in December is now aligned with the Civil Service Strategy. The National Institute of Administration has become operational since June 2017. A project with the World Bank was | 3. Increase the predictability of decision-making by enforcing the systematic and effective use of regulatory impact assessment and stakeholder consultation and involvement in the design and implementation of reforms. Improve the preparation and prioritization of large projects. | No progress: There is still persistent legislative instability and lack of decision-making predictability, which risk eroding investors’ confidence. Regulatory impact assessments continue to be formalistic, although their quality and actual use vary |
recently signed to implement some of the key actions of the human resource management reform. First results of the project may be available by mid-2019 and depend on the legal text adopted by Parliament and the effective implementation of the measures under the World Bank project. It is essential to address dysfunctionalities in public administration and public investments governance in all sectors including quality of implementation and absorption of ESIF.

**Limited Progress.** Despite some progress with public procurement reform, limited political ownership of structural measures, burdensome administrative procedures and lack of stable prioritization and strategic planning hold back the implementation of important policies across many sectors, including the timely implementation of ESI Funds. New administrative structures were set up in the Ministry of Finance in 2016 to facilitate public-private partnerships (Directorate for Management of Public Investments). The Government Programme 2017-2020 retains a focus on PPP. Technical assistance projects under the SRSP focus on improving the related existing legal framework and administrative capacity and enhancing public investment prioritisation. However the investment agenda remains influenced by changing priorities and the link with the adopted strategic framework remains modest.

**Some Progress.** Despite efforts to engage a thorough reform of the public procurement system and tangible infrastructure projects and accelerate their implementation, particularly in the transport, waste and waste water sectors. Improve the transparency and efficiency of public procurement. Strengthen the corporate governance of state-owned enterprises.

Limited progress in implementing the national public procurement strategy. The transition to a new e-procurement system and the putting in place of legislation on a Central Purchasing Body to operate at national level are positive examples. However, some reforms started under the Action Plan drafted in the context of the ex-ante conditionality that Romanian had to fulfil on public procurement and which were relevant for the implementation of EU funds, have

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Limited progress. Large infrastructure projects are being prepared and sent to the European Commission for approval, due in particular to the increased involvement and cooperation with the European Investment Bank (through the Joint Assistance to Support Projects in European Regions programme and the Project Advisory Support instrument). Implementation, however, continues to lag behind.

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achievements made in 2017, the process was marked by instances of backtracking and lack of political ownership to implement some of the critical commitments taken in the context of the national public procurement action plan. Further focus and progress are needed to ensure the sustainability of reforms and the enforcement of measures allowing the use of the opportunities provided by the new public procurement directives. The areas where further progress is needed include the professionalization and empowerment of the contracting authorities, the aggregation of purchases, use of strategic procurement and balanced articulation of controls. The reform of the public procurement system is supported via the establishment of a Public Procurement Agency, the transposition of the 2014 public procurement directives and the adoption of secondary legislation. However, pressures to exempt some investments from public procurement rules continue to affect implementation. The irreversibility of the public procurement reform and further monitoring in the context of the EU Semester process remain essential.

been stopped and, with the recent adoption of the government emergency ordinance no 114/2018, even reversed. Furthermore, important efforts are needed to increase the capacity of contracting authorities and to enhance transparency, monitoring and supervision of the public procurement system, as well as legislative stability and predictability. The streamlining of ex-ante control of public procurement should be based on the measured performance and reliability of contracting authorities.

No progress. Corporate governance legislation applicable to state-owned enterprises is robust but only sparsely applied. The exemption of some 100 companies from the legislation, adopted end-2017, has been barred by the Constitutional Court on procedural grounds, but was again approved by the Senate in June 2018 and awaits final approval in the lower house.
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<th>SI</th>
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<td>SGP: CSR 1</td>
<td>March 2018</td>
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<td>February 2019</td>
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<td>1.</td>
<td>Pursue a substantial fiscal effort in 2018 in line with the requirements of the preventive arm of the Stability and Growth Pact, taking into account the need to strengthen the ongoing recovery and to ensure the sustainability of Slovenia's public finances. <strong>Adopt and implement the proposed reform of the healthcare system and adopt the planned reform of long-term care,</strong> increasing cost-effectiveness, accessibility and quality care. Fully tap the potential of centralised procurement in the health sector. <strong>Adopt the necessary measures to ensure the long-term sustainability and adequacy of the pension system.</strong></td>
<td><strong>Limited progress</strong> (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact): <strong>Limited progress</strong>. Key legislation like the draft Health Care and Health Insurance act has not been adopted yet. Other health reform milestones have been reached. These include amendments to the Health Services Act, the Medical Practitioners Act, the Patient Rights Act, an Act on intervention measures to ensure the financial stability of public health care institutions. <strong>Limited progress</strong>. A draft law on long term care has been published in October 2017, and it is under the public consultation. The final draft has yet not been submitted to the National Assembly. <strong>Some progress</strong>. In 2017, centralised procurement was organised for nine different items. The total amounts were however low compared to other countries and the number of officials in charge of centralised procurement remains limited for such demanding activity. A database of recent procurement result has been created. Hospitals are required to use the lowest price in this database as the maximum price for any new supply contract for the same item.</td>
<td>1. Ensure that the nominal growth rate of net primary government expenditure does not exceed 3.1% in 2019, corresponding to an annual structural adjustment of 0.65% of GDP. <strong>Adopt and implement the healthcare and health insurance act and the planned reform of long-term care. Ensure the long-term sustainability and adequacy of the pension system,</strong> including by increasing the statutory retirement age and by restricting early retirement. <strong>Increase the employability of low-skilled and older workers</strong> through lifelong learning and activation measures.</td>
<td><strong>Limited progress</strong> (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact): <strong>No Progress</strong>. Slovenia has not proposed any specific measure(s) to address the CSR. However, the authorities announced that a new draft Healthcare Act would be adopted by the end of 2019. <strong>No Progress</strong>. The government intends to address LTC legislation only after adoption of healthcare act. <strong>No Progress</strong>. No concrete measures have been taken to ensure the long-term sustainability and adequacy of the pension system, whether by increasing the statutory retirement age or by restricting early retirement. <strong>Limited Progress</strong>. The Slovenian government continued its efforts to increase the employability of low-skilled and older workers through lifelong learning and schemes to help the inactive find work. However, participation in adult learning is still low, especially among the group of older workers and the low-skilled.</td>
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Limited progress. The document called 'Starting points for the modernisation of the Pension and Disability Insurance System in the Republic of Slovenia' was prepared and unanimously adopted by the Economic and Social Council in July 2017. It outlines various measures to improve the adequacy and sustainability of the pension system. However, it is still unclear how and by when the proposed measures would be implemented. Effective since October 2017, the Pension and Disability Insurance Act, increases the minimum old-age and disability pension for those fulfilling full retirement conditions.

2. Intensify efforts to increase the employability of low-skilled and older workers, particularly through targeted lifelong learning and activation measures.

Some progress. In 2017 two measures (a subsidy scheme and support activities to help companies for active ageing of the workforce) aimed at older workers and an in-work incentive scheme for the low-skilled were introduced. In December 2017 the Intervention Act was adopted by the parliament. The Act extends measures of promoting employment of persons aged over 55 years where an employer hiring older worker is exempted from the payment of social security contributions for up to 24 months. The measure is in place from 1.1.2016 and will now be extended until 31.12.2019. Improvements on life-long learning should be made as improving skills through adult learning could increase employment of vulnerable groups.

See CSR 1 (increasing employability of low-skilled and older workers)
3. Improve the financing conditions, including by facilitating a durable resolution of non-performing loans and access to alternative sources of financing. **Ensure the full implementation of the bank asset management company strategy.** **Reduce the administrative burden on business** deriving from rules on spatial planning and construction permits and **ensure good governance of state-owned enterprises.**

**Some progress:**

**Substantial progress.** Non-performing loans (NPLs) have continued their downward trend, reflecting the improving asset quality in the Slovenian financial system. Declining NPLs are reported both by Bank of Slovenia and the ECB. Banks are following their NPLs target plans which are monitored by the Bank of Slovenia and the Single Supervisory Mechanism (SSM). Backed by the technical assistance of the European Commission and in cooperation with the World Bank, the Bank of Slovenia issued in March 2017 the Handbook for Effective Management and Workout of SME NPLs. The handbook includes a complete toolkit to prevent, identify and manage NPLs in this segment.

**Some progress.** Financial support has been directed to SMEs through the Slovene Enterprise Fund (SEF) financial instruments (both debt- and also equity-type of instruments) as well as the national development bank SID Bank. In autumn 2017 the SEF invested 8 million euros into a new cross-border equity initiative called the Central Europe Fund of Funds (CEFoF), aimed at boosting equity investments in the region’s SMEs and small mid-caps. In mid-November 2017 EIF and the national promotional bank SID Bank launched the first Slovenian capital growth investment programme. EUR 100 million, backed by the European Fund for Strategic Investments (EFSI) guarantee, will be made available for innovative and fast-growing SMEs.

<table>
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<tr>
<th>2. Develop alternative sources of financing for fast-growing companies. <strong>Lower the barriers for market entry</strong> through the revision of product market regulation and limiting administrative burden. <strong>Enhance competition, professionalisation and independent oversight in public procurement.</strong> <strong>Carry out the privatisations</strong> in line with to the existing plans.</th>
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<td><strong>Some progress:</strong></td>
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**Some Progress.** In 2018 Slovenia took important steps in the implementation of, notably, the Slovene Equity Growth Investment Programme and the Central European Fund-of-Funds. These steps related to support amounts, intermediaries and beneficiaries. The Ljubljana Stock Exchange has improved its support for SME listings. Slovenia also adopted an action plan on blockchain technology, which is also used for crypto-currencies and initial coin offerings.

**Some Progress.** Slovenia adopted the Investment Promotion Act in early 2018. This act facilitates investment inter alia by harmonising support conditions for domestic and foreign investors and by reducing barriers for strategic investments. Impact assessments are performed for draft laws under regular parliamentary procedure but not for the many laws in urgent procedure. Stakeholders benefit since 2018 from a new online tool for their input to this SME test. Slovenia’s justice system also continued reducing the backlog of pending cases. Slovenia also progressed with one-stop online portals for key administrative procedures and with the so-called “Single Document”. A good part of the suggested administrative burden reduction measures, as well as planned measures to reduce regulatory restrictions on professions is still pending.

**Limited progress.** In May 2018, Slovenia presented an action plan detailing
Substantial progress. The Bank Asset Management Company is progressing to fulfil its mandate. The business strategy adopted in December 2016 aims to ensure the highest possible return to the state and to fully redeem bonds backed by state guarantees by 2022. From its inception in 2013 until June 2017, BAMC generated cumulative cash-flows of nearly EUR 1.1 billion, representing nearly 60 % of the aggregate fair value of the loans transferred. BAMC is expected to return to profitability in 2017, mainly due to lower financing costs. Going forward, a key risk is maintaining the momentum of cash-flow generation from sales, as the remaining assets in BAMC’s portfolio may be more difficult to sell.

Some progress. A new legislation, adopted in October 2017, aims to simplify and accelerate the acquisition of building permits and at the same time, to decrease legal and environmental risks and administrative burden for SMEs. It also envisages regional spatial plans which will improve the coordination between the municipalities and improve the use of resources.

Some progress. The new comprehensive framework for the management of state-owned enterprises was implemented for the first time in 2016. Performance of SOEs in 2016 reached the targets set in the management acts, since an almost 6 % return-on-equity was achieved on an aggregated basis. Dividend pay-outs in 2017 for companies managed by the

planned improvements, notably on further professionalisation of public procurement, for 2018-2020. Slovenia also made progress in rolling out e-procurement, which is widely used since April 2018. Rather little progress was made to increase competition in procurement, which remains a key problem. Slovenia also did not strengthen the independence of the National Review Commission. Slovenia did not achieve a higher degree of tender aggregation for health sector procurement.

Some progress. Slovenia made some progress in the privatisation of SOEs as only one privatisation took place in 2018. With the partial privatisation of Slovenia’s biggest bank in 2018 and the launch of the sale of its third biggest bank, Slovenia took important steps in implementing its privatisation list.
<p>|   | SSH, acting either as an owner or on behalf of the State, have been higher by 38% compared with 2016, and hit a record high almost doubling the dividends received in 2011, i.e. when Slovenia had first applied a centralised system for the management of capital assets. |   |   |</p>
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<tr>
<td><strong>1. Pursue a substantial fiscal effort in 2018 in line with the requirements of the preventive arm of the Stability and Growth Pact, taking into account the need to strengthen the ongoing recovery and to ensure the sustainability of Slovakia’s public finances. Improve the cost-effectiveness of the healthcare system, including by implementing the value-for-money project.</strong></td>
<td><strong>Some progress</strong> (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact): <strong>Some progress</strong> has been made in improving the cost-effectiveness of the healthcare system. Several commitments of the &quot;Value-for-Money&quot; project have been fulfilled and appear to have generated some positive, tangible changes leading to savings. Several key provisions aimed at significantly enhancing the cost-effectiveness of the system (e.g. introduction of a DRG payment system, strengthening the primary care sector and promoting integration of healthcare providers) are still in their pilot phase and are likely to face further delays and implementation challenges in the near future.</td>
<td><strong>1. Ensure that the nominal growth rate of net primary government expenditure does not exceed 4.1% in 2019, corresponding to an annual structural adjustment of 0.5% of GDP. Implement measures to increase the cost effectiveness of the healthcare system and develop a more effective healthcare workforce strategy.</strong></td>
<td><strong>Some progress</strong> (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact):</td>
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<td><strong>2. Improve activation measures for disadvantaged groups, including by implementing the action plan for the long-term unemployed and by providing individualised services and targeted training. Enhance employment opportunities for women, especially by extending affordable, quality childcare. Improve the quality of education and increase the participation of Roma in inclusive mainstream education.</strong></td>
<td><strong>Some progress:</strong> Individual work integration agreements are being introduced and individualised counselling will follow. The client-to-specialised counsellor ratio in public employment services has improved but remains high. A basic profiling mechanism for the long-term unemployed has been introduced, but is only based on age and the duration of registration and therefore does not allow an in-depth assessment for</td>
<td><strong>2. Reinforce activation and upskilling measures, including quality targeted training and individualised services for disadvantaged groups, in particular by delivering on the action plan for the long-term unemployed. Foster women’s employment, especially by extending affordable, quality childcare. Improve the quality and inclusiveness of education, including by increasing the participation of Roma children in mainstream education from early childhood onwards.</strong></td>
<td><strong>Some progress:</strong> Implementation of the Action Plan is well on track. Progress on upskilling measures is less encouraging, with a very low participation of adults in learning and insufficient funding for skills training.</td>
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<td><strong>Some Progress</strong> has been made in increasing the capacity of and access to early childhood education and care, particularly for the over threes. But</td>
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*Note: CSR stands for Crisis Support Regime.*
subsequent referral. In addition, partnerships with NGOs are still missing. Some progress has been achieved towards increasing the provision of training of jobseekers (e.g. through the RE-PAS project).

**Some progress.** The legislative framework for childcare was extended, but capacities remain limited. Participation in pre-school education is stagnating, with differences in attendance persisting across the board. According to Eurostat, participation in early childhood education and care (ECEC) was 78.4% in 2016, well below the EU average of 94.8% (a 16.4 pp. difference). There are big regional disparities.

**Limited progress.** To address declining educational outcomes, the national education strategy ‘Learning Slovakia’, developed through a comprehensive consultation process by experts and completed in September 2017, spells out a vision for regional and higher education reform. Progress on the reform has however been limited, as the document still needs to be translated into the official government National Education Strategy, with concrete action plans announced only for 2018.

**Limited progress.** The country’s socioeconomic and educational exclusion of its Roma communities is a key problem. The legislative amendments made to the School Act in 2015 have a potential to increase the participation of Roma pupils in inclusive mainstream education. However, they are not delivering the expected results.

employment rates do not yet reflect these improvements.

**Limited Progress.** A new national reform programme and other measures were adopted in 2018 to facilitate participation in early childhood education and care, and primary education. Corresponding investments are planned from 2019 to 2027. The Action plan includes lowering the age of obligatory schooling to 5 as of 2020, and enhancing the capacity of kindergartens, and measures to assist the integration of children from disadvantaged backgrounds, with special focus on the marginalised Roma communities.
due to the absence of an integrated approach. There is no systematic methodological guidance to schools, which would include concrete measures leading towards inclusive mainstream education and a specification of funding available for that purpose. Systematic monitoring and evaluation of the effectiveness of measures is lacking.

3. Improve competition and transparency in public procurement operations and step up the fight against corruption by stronger enforcement of existing legislation. Adopt and implement a comprehensive plan to lower administrative and regulatory barriers for businesses. Improve the effectiveness of the justice system, including a reduction in the length of civil and commercial cases.

**Limited progress.** Limited progress has been made in the implementation of a number of efficiency measures, including the European Single Procurement Document, e-ID and the 'once only' principle. The Slovak authorities have undertaken a feasibility study of options for further development of the electronic platform for procurement and are on track to transition to fully electronic procedures by October 2018, as required by the new Public Procurement Directive. Implementation of MEAT criteria in the construction and health sectors is starting, as well as a price mapping exercise and aggregated purchases of certain hospital equipment.

**No progress.** There has been no increase in conviction statistics, and corruption cases involving PEPs / large public assets are not yet properly investigated. There is a decrease in the available human resources devoted to corruption cases at prosecutorial level, namely in the special prosecutions service.

3. Increase the use of quality-related and lifecycle cost criteria in public procurement operations. Tackle corruption, including by ensuring enforcement of existing legislation and by increasing accountability at the level of police and prosecution. Improve the effectiveness of the justice system, in particular by safeguarding independence in judicial appointment procedures. Reduce the fragmentation of the public research system and stimulate business innovation, including for small and medium-sized enterprises.

**Limited progress.** Tackling corruption requires, among other things, increasing accountability at the level of police and prosecution, which has seen little change yet. However, a substantial revision of the rules of appointments and dismissals in the Police was adopted in December 2018, which should improve accountability of the police chiefs.

**Limited progress.** With the latest amendment of the Public Procurement Act, the Public Procurement office introduced measures to speed up Public Procurement to increase the absorption of the European Structural and Investment Funds. Measures include updating the system of management for European Structural and Investment Funds simplification and shortening of public procurement procedures, (re-)drafting of guidance and documentation for tenderers and improving the professionalisation of public procurement. Progress is being made as regards efficiency and administrative capacity.

**Limited Progress.** Tackling corruption requires, among other things, increasing accountability at the level of police and prosecution, which has seen little change yet. However, a substantial revision of the rules of appointments and dismissals in the Police was adopted in December 2018, which should improve accountability of the police chiefs.
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<th><strong>Some progress.</strong> The Government adopted a package of measures to be implemented by 2019 to improve the business environment and boost investment.</th>
<th><strong>Limited Progress</strong> has been made towards improving the effectiveness of the justice system.</th>
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<td><strong>Limited progress</strong> has been made towards improving the effectiveness of the justice system. Despite a number of past reforms that have led to improvements in certain areas, long-standing concerns regarding the independence of the judiciary remain unaddressed.</td>
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<td><strong>Limited Progress</strong> has been made in improving stimulation for business innovation with the extended rate of the R&amp;D tax allowance and other upcoming support schemes for the small and medium-sized enterprises ecosystem, mostly financed from the European Structural and Investment Funds. However, measures to improve efficiency and consolidate the public research system are still not adopted, notably the transformation of the Slovak Academy of Sciences or a broader assessment of the research and innovation system.</td>
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| FI | 2017 CSRs  
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<td>1. Pursue its fiscal policy in line with the requirements of the preventive arm of the Stability and Growth Pact, which entails achieving its medium-term budgetary objective in 2018, taking into account the allowances linked to unusual events, the implementation of the structural reforms and investments for which a temporary deviation is granted. <strong>Ensure timely adoption and implementation of the administrative reform</strong> to improve cost-effectiveness of social and healthcare services.</td>
<td><strong>Limited progress</strong> (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact): <strong>Limited progress</strong> has been achieved in ensuring the adoption and implementation of the social and health care reform. The government has presented large parts of the draft legislation on the reform of the social and healthcare services in the Parliament. However, the formal adoption of the reform has not taken place yet and the effective implementation of the reform has been delayed by one year (January 2020). The ‘Freedom of Choice’ legislation was subject to a second public consultation round which finished in the end of 2017. The government's proposal for the law is expected to be presented in the Parliament during the first half of 2018.</td>
<td>1. <strong>Achieve the medium-term budgetary objective in 2019</strong>, taking into account the allowances linked to the implementation of the structural reforms for which a temporary deviation is granted. <strong>Ensure the adoption and implementation of the administrative reform</strong> to improve cost-effectiveness and equal access to social and healthcare services.</td>
<td><strong>Limited progress</strong> (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact): <strong>Limited progress</strong> has been achieved on ensuring the adoption and implementation of the regional social and healthcare services reform. The draft laws on the reform are still expected to be adopted and to come into effect during the first quarter of 2019. However, the general elections in April 2019 risk to produce yet further delays. Preparative actions in the forthcoming counties, responsible for the reform, have been taken in such manner that they have a good degree of readiness for the adoption and implementation of the reform. Nevertheless, at the moment, it is unclear how the reform's savings mechanisms might deliver the planned containment of the costs arising from the ageing population.</td>
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<td>2. <strong>Promote the further alignment of wages with productivity developments</strong>, fully respecting the role of social partners. <strong>Take targeted active labour market policy measures</strong> to address employment and social challenges, <strong>provide incentives to accept work and promote entrepreneurship</strong>.</td>
<td><strong>Some progress</strong>: <strong>Some progress</strong> has been made since the importance of preserving cost competitiveness has been widely recognised. The first results from the wage negotiations are promising, and the proposed wage increases do not appear to compromise cost competitiveness, while simultaneously</td>
<td>2. <strong>Improve incentives to accept work and ensure adequate and well-integrated services for the unemployed and the inactive.</strong></td>
<td><strong>Limited progress</strong>: <strong>Limited progress</strong> has been made on reducing inactivity and unemployment traps. A number of reforms in the labour market have already been introduced. Nevertheless, further measures would be needed to address the still relatively high structural unemployment (NAWRU at around 7% in 2018). The Finnish</td>
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guaranteeing some improvement in purchasing power. It remains to be seen whether a coordinated wage-setting model, which would ensure favourable employment outcomes, emerges.

**Some progress** has been made as some activation measures have been introduced, such as the interviews to all registered unemployed jobseekers every 3 months. Financing for the public employment service has been increased in 2018.

**Some progress** is observed in increasing incentives to accept work: The active model of unemployment benefits is expected to increase incentives to take up a job. Reduced childcare fees in particular for small and medium income families, should encourage working. These actions entered into force in early 2018.

**Some progress** has been made as some measures have been introduced to prompt the unemployed to start a company: the unemployed can continue receiving unemployment benefit during four months after starting a company. This change was implemented in 2018.

authorities are waiting for the outcome of the basic income experiment, whose first results were presented on 8 February 2019. The experiment is expected to provide some information for revising the social security system. There has been a lot of discussion about the possible future reform of the tax-benefit system. However, given the political agenda, no movement in this area is expected before spring 2019. The government’s budget for 2019 introduces complementary measures to promote employment and improve incentives to accept work.

**Limited progress** has been achieved on public employment services. The number of one-stop-shops, Ohjaamot, offering low-threshold, cross-sectoral information, advice and guidance to youth and young adults have been increased from 50 to 60, covering all regions in Finland. However, the formal adoption of the regional government, health and social services reforms, including the public employment and entrepreneur services, has not taken place. Also, integration of services could have regressed: with the vocational education and training reform, training related to active labour market policies is now under the responsibility of the Ministry of Education, and not any more of the Ministry of Employment, so further away from employment services.

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<th>3. Continue to improve the regulatory framework and reduce the administrative burden to increase competition in services and to promote investment.</th>
<th>Substantial progress: Substantial progress has been made in improving the regulatory framework and reducing the administrative burden. The amended Land Use and Building Act</th>
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<td>3. Strengthen the monitoring of household debt including by setting up a credit registry system.</td>
<td>Limited progress: Limited progress is observed on monitoring the household debt, through the setting up of an expert working group assessing household debt.</td>
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<td>has entered into force and the new Alcohol Act and the first phase of the new transport code were adopted in late 2017 simplifying earlier regulation. Progress has also been made on the framework governing collaborative economy service providers. <strong>Some progress</strong> has been made as the availability of loans and export guarantees for SMEs has improved. In addition, a new government agency to promote exports, innovation and FDI - Business Finland - has been created by merging Finpro and Tekes.</td>
<td>debt developments and possibilities to introduce new macroprudential instruments into the legislation. <strong>Limited progress</strong> has been made on setting up a credit registry system. The Ministry of Justice has commissioned a report proposing the establishment of a centralized comprehensive (collecting both positive and negative information on debtors) credit registry. The proposal is now in circulation for comments after which the matter will be further assessed. The group should report of its work and conclusions by the end of March 2019. The required legislation would only be tabled after the next general election in April 2019.</td>
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1. Address risks related to household debt, in particular by gradually limiting the tax deductibility of mortgage interest payments or by increasing recurrent property taxes, while constraining lending at excessive debt-to-income levels. **Foster investment in housing and improve the efficiency of the housing market**, including by introducing more flexibility in setting rental prices and revising the design of the capital gains tax.

**Limited progress:**

No progress in adjusting fiscal incentives, i.e. changing the mortgage interest deductibility rules or property taxation (see section 4.2.2 of the Country Report Sweden 2018).

**Substantial progress** on constraining lending at excessive debt-to-income levels: a strengthened amortisation requirement for high-debt-to-income mortgages has been adopted and will come into force in March 2018 (see section 4.2.3).

**Some progress** on fostering investment in housing and improving the efficiency of the housing market. Sweden is moving forward with the gradual implementation of the ‘22-point plan’ to increase residential construction and improve the efficiency of the housing sector. The authorities have also proceeded with an initiative to raise participation of foreign firms in the Swedish construction sector, including by setting up an online portal with English-language info on Swedish building and planning regulations.

**Limited Progress**, in January 2019, the Swedish authorities announced that reforms will be prepared to make the rent-setting system more flexible. There are also plans to make deferred capital gains taxes on sold properties in the owner-occupancy market interest-free.
1. **Pursue a substantial fiscal effort in 2018-19** in line with the requirements of the preventive arm of the Stability and Growth Pact, taking into account the need to strengthen the ongoing recovery and to ensure the sustainability of the United Kingdom’s public finances.

The compliance with the Stability and Growth Pact is not assessed in the country reports, but in spring 2018 once the final data for the previous year are available.

2. **Take further steps to boost housing supply**, including through reforms to planning rules and their implementation.

Some progress:
The government is implementing a wide-range of measures to boost housing supply and announced further measures in its 2017 Autumn Budget. These measures have likely contributed to higher annual housing completions in recent years. However, new housing supply remains below estimated housing need and many barriers to housebuilding remain.

2. **Boost housing supply**, particularly in areas of highest demand, including through additional reforms to the planning system.

Some progress:
Annual net housing supply has increased significantly from post-crisis lows. However, since mid-2017, the recovery in house building has lost momentum, and it is now stabilising at a level below what would be necessary to meet estimated demand. Real house prices are stabilising, and real rents are now falling slightly, but the cost of housing remains high. The government has recently extended and revised a number of existing housing policies, including updating spatial planning rules. The rules on local authority borrowing to build public housing have been relaxed, but wholly new initiatives have otherwise been limited.

3. **Address skills mismatches and provide for skills progression**, including by continuing to strengthen the quality of apprenticeships and providing for other funded ‘further education’ progression routes.

Some progress:
Quality in apprenticeships, if measured by the level at which an apprenticeship is taken, increased in 2016-2017. For example, there has been an increase of 37.4% in ‘higher’ apprenticeships, albeit from a very low base, and they still only represent 7.5% of starts. This coincided with the beginning of the

3. **Address skills and progression needs** by setting outcome targets for the quality and the effectiveness of apprenticeships and by investing more in upskilling those already in the labour force.

Some progress:
The government has introduced a series of initiatives that seek to invest in the skills levels of the workforce thus helping advance career progression. The National Retraining Scheme, which seeks to provide career guidance and advice in line with job experience, has been launched. The newly established
Apprenticeship Levy. Other routes for those aged 16-19 will become available via new ‘T-level’ vocational qualifications, while other upskilling and reskilling routes for older participants, whether currently working or not, should become available when the ‘National Retraining Scheme’ is in operation. For now both developments are at a very early stage.

tripartite National Retraining Partnership comprising the Government,Employers and the Trade Unions will deliver job specific training, in order to meet labour demand needs and increase productivity whilst reducing skills mismatches. The ongoing reform of the Vocational Training system plans to introduce 15 ‘T-level’ qualifications, but only three will be available by 2020. Registration numbers for this new twin-track system are far lower than expected and although an apprenticeship levy has been introduced to provide funding to employers, uptake remains low.
Assessment criteria used by the Commission in its 2018 and 2019 assessments of progress in addressing current Country-Specific Recommendations' (CSRs)

(1) **No progress:** The Member State has not credibly announced nor adopted any measures to address the CSR. This category covers a number of typical situations, to be interpreted on a case-by-case basis taking into account country-specific conditions. They include the following:

- no legal, administrative, or budgetary measures have been announced in the national reform programme, in any other official communication to the national Parliament/relevant parliamentary committees or the European Commission, publicly (e.g. in a press statement or on the government’s website);
- no non-legislative acts have been presented by the governing or legislative 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 to be taken (unless the CSR explicitly asks for orientations or exploratory actions). However, it has not proposed any clearly-specified measure(s) to address the CSR.

(2) **Limited progress:** The Member State has:

- announced certain measures but these address the CSR only to a limited extent; and/or
- presented legislative acts in the governing or legislative body but these have not been adopted yet and substantial further, non-legislative work is needed before the CSR is implemented;
- presented non-legislative acts, but has not followed these up with the implementation needed to address the CSR.

(3) **Some progress:** The Member State has adopted measures:

- that partly address the CSR; and/or
- that address the CSR, but a fair amount of work is still needed to address the CSR fully as only a few of the measures have been implemented. For instance, a measure or measures have been adopted by the national Parliament or by ministerial decision, but no implementing decisions are in place.

(4) **Substantial progress:** The Member State has adopted measures that go a long way towards addressing the CSR and most of them have been implemented.

(5) **Full implementation:** The Member State has implemented all measures needed to address the CSR appropriately.
This study presents the 2017 and 2018 Country-Specific Recommendations as generally endorsed by the European Council adopted by the Council and their implementation based on the assessment by the European Commission in its Country Reports of 7 March 2018 and 27 February 2019. This study was provided by the Economic Governance Support Unit (EGOV).

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