

## Annex 2 to EGOV document [Member States with Excessive Macroeconomic Imbalances](#) (PE 602.083)

### Table on MIP related CSRs and their implementation assessment for MSs experiencing excessive macroeconomic imbalances

#### BULGARIA

Year	CSR	Progress Implementation	Recommendation	EC - Assessment of implementation by EC
2015	CSR1	Some progress	Avoid a structural deterioration in public finances in 2015 and achieve an adjustment of 0.5 % of GDP in 2016. Take decisive measures to improve tax collection and address the shadow economy, based on a comprehensive risk analysis and evaluation of past measures. Improve the cost-effectiveness of the health care system, in particular, by reviewing the pricing of health care and strengthening outpatient and primary care.	<b>Some progress</b> (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact): <b>Some progress</b> in addressing the part of CSR1 on tax collection. Bulgaria made stricter the control requirements for excise goods, collected more revenues form excise duties and signed agreements to broaden exchange of tax information. Nevertheless voluntary tax compliance remained a problem, including the time to comply with tax legislation. Bulgaria adopted a Single Tax Compliance Strategy indicating a more holistic tax policy approach but the Strategy lacks assessment of previous anti-fraud measures and a comprehensive risk analysis which identifies the most important tax collection shortages. <b>Some progress</b> in addressing CSR1 in the part on healthcare. The Bulgarian government made the National Health Map mandatory for the signing of contracts between the National Health Insurance Fund and hospitals. This is expected to improve the efficiency of spending in healthcare; however the Map is expected to be used as from April 2016, therefore results of its implementation are to be seen in coming months at the earliest. 25 out of 3,000 hospital procedures will soon be authorised to be provided in outpatient facilities. This may lower costs of health care system's functioning and be a first step of putting more emphasis on ambulatory care.
2015	CSR2	Some progress	By December 2015, complete a system-wide independent asset-quality review and a bottom-up stress test of the banking sector, in close cooperation with European bodies. Perform a portfolio screening for the pension fund and insurance sectors. Review and fortify banking and non-banking financial sector supervision, including by strengthening the bank-resolution and deposit-guarantee frameworks. Improve corporate governance in financial intermediaries, including by tackling concentration risk and related-party exposures.	<b>Some progress:</b> <b>Some progress</b> in completing a system-wide asset quality review and stress test of the banking sector. A contract has been signed with an independent consultant to assist the central bank in conducting the exercise and the review of the quality of the banks' assets has been launched. <b>Limited progress</b> in performing a portfolio screening for the pension funds and insurance sectors. A contract with an independent consultant should be signed as soon as possible in order to prepare the methodology and launch the technical part of the exercise. <b>Some progress</b> in fortifying banking supervision, while strengthening corporate governance and tackling concentration risk and related-party exposures. In particular, a plan to reform and develop banking supervision has been published, building on recommendations by the IMF and the World Bank, and is being implemented. Moreover, the authorities have introduced legislation to transpose the Bank Recovery and Resolution Directive and the Deposit Guarantee Schemes Directive into national law. <b>Limited progress</b> in tackling concentration risk and related-party exposures in the non-banking financial sector. The reviews of both bank and non-bank financial intermediaries should be performed in a way that is useful for the identification of such practices. This will allow the authorities to make the necessary adjustments to both the relevant legislation and supervisory practices.
2015	CSR3	Limited progress	Develop an integrated approach for groups at the margin of the labour market, in particular older workers and young people not in employment, education or training. In consultation with the social partners and in accordance with national practices, establish a transparent mechanism for setting the minimum wage and minimum social security contributions in the light of their impact on in-work poverty, job creation and competitiveness.	<b>Limited progress:</b> <b>Limited progress</b> in developing an integrated approach for groups at the margin of the labour market. The Public Employment Services are hiring youth mediators to reach and activate youth NEETs. The overall effect of the measure is still limited. In the first nine months of 2015, 71 000 individual plans for youth registered with the PES were prepared. From September 2014 to September 2015, 43 000 people over 50 years old started work on the primary market, additional 16 000 started subsidised employment. <b>Limited progress</b> in the part on minimum wage and minimum social security thresholds. The government plans to establish the criteria for the mechanism for setting up minimum wages towards the end of 2016. Minimum wages per economic sectors should start being negotiated between the social partners from 2017.

2015	CSR5	Limited progress	With a view to improving the investment climate, prepare a comprehensive reform of the insolvency framework drawing on international best practice and expertise, in particular to improve mechanisms for pre-insolvency and out-of-court restructuring.	<b>Limited progress:</b> <b>Limited progress</b> in improving the mechanisms for pre-insolvency and out-of-court restructuring.
2016	CSR1	Some progress	Achieve an annual fiscal adjustment of 0,5 % of GDP towards the medium-term budgetary objective in 2016 and in 2017. Further improve tax collection and take measures to reduce the extent of the informal economy, including undeclared work.	<b>Some progress</b> (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact): The assessment of compliance with the Stability and Growth Pact will be made in spring when final data for 2016 will be available. <b>Some progress</b> in improving tax collection and reducing the extent of the informal economy. The government adopted in October 2015 the Single National Strategy (SNS) 2015-2017 for improving tax collection, tackling the shadow economy and reducing compliance costs. The implementation of the SNS and its accompanying action plan is ongoing with some of the measures already in place. Additional measures such as risk based controls on enterprises and enhanced controls on products subject to excise duties are also being implemented. Tax revenue is increasing and part of this increase can be attributed to improved collection, but the size of the shadow economy remains high. To tackle undeclared work the authorities have increased labour inspections but more effort seems to be needed in this area.
2016	CSR2	Some progress	By the end of 2016, finalise the asset quality review and stress test of the banks. By the end of 2016, complete the balance-sheet review and stress test of the insurance companies and the review of private pension funds' assets. Take, as necessary, follow-up actions in all three sectors and continue to improve banking and non-banking supervision.	<b>Some progress:</b> <b>Some progress</b> in finalising the asset quality review and stress test of the banks. The results of the review and stress tests were published but the degree of independence and the nature of the stress tests did not fully comply with the recommendation. <b>Substantial progress</b> in completing the balance-sheet review and stress test of the insurance companies and the review of private pension funds' assets. The reviews were completed to a high degree of independence and transparency. Some issues, including valuing illiquid financial instruments and assets as well as related-party transactions, were not fully tackled. <b>Limited progress</b> in taking, as necessary, follow-up actions in all three financial sectors and in improving banking and non-banking supervision. The two supervisors have issued follow-up actions resulting from the reviews and stress tests. Those actions remain to be implemented. The BNB's action plan on banking supervision is being implemented albeit with delays in some important areas. The IMF/WB review is ongoing. Non-bank supervision remains to be improved by tackling the issues highlighted by the reviews.
2016	CSR3	Limited progress	Reinforce and integrate social assistance, including relevant social services, and active labour market policies, in particular for the long-term unemployed and young people not in employment, education or training. Increase the provision of quality education for disadvantaged groups, including Roma. Improve the efficiency of the health system by improving access and funding, and health outcomes. In consultation with social partners establish guidelines and criteria for setting the minimum wage. Increase the coverage and adequacy of the minimum income scheme.	<b>Limited progress:</b> <b>Some progress</b> in reinforcing and integrating social assistance, including relevant social services, and active labour market policies, in particular for the long-term unemployed and young people not in employment, education or training. Bulgaria initiated a pilot project to introduce integrated Centres for Employment and Social Assistance and plans to add 8 new centres in remote areas to the existing 65. Many unemployed have already been serviced by these centres. The working methods between the Employment Agency and Agency for Social Assistance have improved. However, there is a limited provision of social services to support the long term unemployed taking a job, as local municipalities – the main social services providers – have not been involved. Efforts to address the high percentage of young people not in employment, education or training have started yielding results as the implementation of the Youth Guarantee is speeding up. However employment indicators are still worrying. There are several projects at national level based on the plans of municipalities and funded by the European Social Fund which aim at providing integrated services for Roma, migrants and the disadvantaged, including employment, education, housing and social services. Many of those in target groups are long term unemployed. <b>Limited progress</b> in increasing the provision of quality education for disadvantaged groups, including Roma. Despite budgetary increases, ensuring the necessary funding for the ongoing reform is a challenge and the financial standard has not yet been adopted. School performance indicators and the methodology for funding based on performance have yet to be developed. The provision banning segregated classes within the same school/kindergarten needs to be properly implemented and monitored, but such mechanisms remain weak. Following the entry into force of the new School Education Act in August 2016, a new education standard will focus on intercultural education and will be implemented for the first time this school year. <b>Limited progress</b> in improving the efficiency of the health system by improving access and funding, and health outcomes. Most measures concerning pharmaceutical pricing which aim at reducing costs of medicines are not expected to go into force until the beginning of 2017 at the earliest. Others like contracting of hospital services based on the National Health Map are implemented only partially – contracts for hospitals until April 2017 were set based on historical data. A significant part of the population remains without health insurance coverage. <b>Limited progress</b> in establishing guidelines and criteria for setting the minimum wage. Progress on devising a minimum wage setting mechanism is also limited; there seems to be general agreement among the government and social partners on the way forward, however this still needs to be

				put in practice. <b>Limited progress</b> in increasing the coverage and adequacy of the minimum income scheme. It is now possible to apply for benefits irrespective of the place of residence. Earnings from one day and dual education contracts will be excluded from the means testing. Heating benefits for the 2016/2017 winter season were marginally increased. However, the extent of measures planned to increase the coverage and adequacy of the minimum income scheme does not correspond to the magnitude of poverty in the country and do not allow the benefits to keep their safety net function over time.
2016	CSR4	Limited progress	Reform the insolvency framework to accelerate recovery and resolution procedures and improve their effectiveness and transparency. Increase the capacity of the courts regarding insolvency procedures. Strengthen the capacity of the Public Procurement Agency and contracting authorities and improve the design and control of public tendering procedures, in particular by fully implementing the National Strategy for the development of the Public Procurement Sector (2014-2020). Speed up the introduction of e-procurement.	<b>Limited progress:</b> <b>Limited progress</b> in reforming the insolvency framework to accelerate recovery and resolution procedures as well as improving their effectiveness and transparency as well as increasing the capacity of the courts regarding insolvency procedures. The insolvency reform effort has been slow despite the high level of private sector debt and mediocre performance of the insolvency proceedings framework. Improvement efforts in the legislative as well as judicial framework do not match the size of the problem. According to the assessment of the Commission, beyond the proper implementation of the announced initiatives, further steps are needed, in particular in the judicial system. Amendments to the Commerce Act and the Pledge Registry have only recently been adopted. They will need to be complemented with improvements in the infrastructure of the judicial system and in judges' capacity to handle insolvency cases. <b>Some progress</b> in strengthening the capacity of the Public Procurement Agency and contracting authorities and improving the design and control of public tendering procedures [...] and <b>Limited progress</b> in speeding up the introduction of e-procurement. A number of actions have already been undertaken by the Bulgarian government. However, the majority of them is currently at an early stage of implementation, so that their practical effects still need to be seen and assessed. The authorities have only started the tendering process for the e-procurement system.

## FRANCE

Year	CSR	Implementation assessment	Recommendation	Detailed assessment
2015	CSR1	Limited progress	Ensure effective action under the excessive deficit procedure and a durable correction of the excessive deficit by 2017 by reinforcing the budgetary strategy, taking the necessary measures for all years and using all windfall gains for deficit reduction. Specify the expenditure cuts planned for these years and provide an independent evaluation of the impact of key measures.	<b>Limited progress</b> (this overall assessment of CSR 1 excludes an assessment of compliance with the Stability and Growth Pact): <b>Limited progress</b> has been made in specifying the expenditure cuts planned up to 2017. The latest draft budgetary plan specified the expenditure cuts planned for 2016, but not for 2017. Moreover, no independent evaluation of the impact of the key measures included in the draft budgetary plan for 2016 was provided, due to the existence of many evaluations.
2015	CSR2	Some progress	Step up efforts to make the spending review effective and identify savings opportunities across all sub-sectors of general government, including on social security and local government. Take steps to limit the rise in local authorities' administrative expenditure. Take additional measures by March 2016 to bring the pension system into balance, in particular ensuring that the financial situation of complementary pension schemes is sustainable over the long term.	<b>Some progress:</b> <b>Some progress</b> has been made in making the spending review effective. The spending reviews may become an important tool to identify efficiency gains in public expenditure, despite the limited amount of savings generated by the first round of reviews that were considered in the draft budget for 2016. <b>Some progress</b> has been made on limiting the rise in local authorities' administrative expenditure. The spending norm (ODEDEL) for local authorities has been further specified in the draft budgetary plan for 2016, but is indicative rather than binding, while its in-year execution has not been monitored yet. <b>Substantial progress</b> has been made for the long-term sustainability of complementary pension schemes. On 30 October 2015 social partners agreed on a package of measures for complementary pension schemes (AGIRC-ARRCO) to improve the sustainability of complementary pension schemes, while strengthening incentives to work longer. According to social partners' estimations, a slight deficit for complementary pension schemes would persist in 2030 only under the most pessimistic scenarios provided by the Conseil d'Orientation des Retraités.
2015	CSR3	Some progress	Ensure that the labour cost reductions stemming from the tax credit for competitiveness and employment and from the responsibility and solidarity pact are	<b>Some progress:</b> <b>Substantial progress</b> has been made in pursuing measures to reduce the cost of labour. The 2016 budget leaves the tax credit for competitiveness and employment (CICE) unchanged and confirms the implementation of the second phase of reductions in employers' social security contributions planned in the Responsibility and Solidarity Pact, albeit with a three months'

			sustained, in particular by implementing them as planned in 2016. Evaluate the effectiveness of these schemes in the light of labour and product market rigidities. Reform, in consultation with the social partners and in accordance with national practices, the wage-setting system to ensure that wages evolve in line with productivity. Ensure that minimum wage developments are consistent with the objectives of promoting employment and competitiveness.	delay from the original timing. Moreover, the third report on the CICE was published in September 2015 and a first ex post evaluation of its effects, based on firm-level data, is planned for September 2016. <b>Some progress</b> has been made in reforming the wage-setting process. The law on social dialogue adopted in August 2015 enables companies, through majority agreements, to conclude wage agreements valid for up to three years instead of one year. Moreover, a reform of the labour code has been announced for 2016. <b>Limited progress</b> has been made in ensuring that minimum wage developments are consistent with the objectives of promoting employment and competitiveness. While no increase of the minimum wage was granted in 2014, its automatic annual indexation process was not modified. In 2015 the minimum wage increased by 0.6 percentage point more than inflation while unemployment continued rising.
2015	CSR4	Some progress	By the end of 2015, reduce regulatory impediments to companies' growth, in particular by reviewing the size-related criteria in regulations to avoid threshold effects. Remove the restrictions on access to and the exercise of regulated professions, beyond the legal professions, in particular as regards the health professions as from 2015.	<b>Some progress:</b> <b>Limited progress</b> has been made in reducing regulatory barriers to companies' growth. The measures taken or proposed to reduce barriers have limited impact (9 and 10 employee thresholds raised to 11) or are temporary (additional fiscal and social levies linked to reaching thresholds up to 50 employees have been frozen for 3 years). <b>Some progress</b> has been made in removing unjustified restrictions on access to and the exercise of regulated professions, notably the legal professions. For health professions, the healthcare law somewhat eases such restrictions and relaxes shareholding requirements for pharmacies. Shareholding requirements for medical test laboratories have also been relaxed through a recent decree. Overall, in regulated professions authorisation schemes persist and generally there is a lack of transparency and comparability. Recently measures have been announced in the context of the simplification programme ('choc de simplification') but implementation remains to be completed.
2015	CSR5	Limited progress	Simplify and improve the efficiency of the tax system, in particular by removing inefficient tax expenditure. To promote investment, take action to reduce the taxes on production and the corporate income statutory rate, while broadening the tax base on consumption. Take measures as from 2015 to abolish inefficient taxes that are yielding little or no revenue.	<b>Limited progress:</b> <b>Limited progress</b> has been made to simplify and improve the efficiency of the tax system. The 2016 budget phases out one tax expenditure (for an amount of EUR 3 billion from 2018), extends some existing ones, and creates a new one. At EUR 83.3 billion, their total amount is expected to remain globally stable in 2016 (minus 1.2 % on 2015). The government has taken a first set of technical measures to implement a withholding tax system for personal income tax by 2018. <b>Some progress</b> has been made to reduce the taxes on production (phasing out of C35) but the effective average tax rate on corporations remains stable. <b>Limited progress</b> has been made to raise the tax base on consumption, indirectly through the increase in environmental taxation. The 2016 budget increases the carbon tax levied on energy consumption, from EUR 14.5 to EUR 22 per tCO <sub>2</sub> . In addition, excise duties on fuels have increased. <b>No progress</b> has been made in abolishing inefficient taxes. Out of the more than 100 identified by the Inspectorate-General of Finances ('Inspection Générale des Finances') in 2014, the 2016 budget deletes two, for a total amount of EUR 10 million, and creates five new ones.
2015	CSR6	Limited progress	Reform the labour law to provide more incentives for employers to hire on open-ended contracts. Facilitate take up of derogations at company and branch level from general legal provisions, in particular as regards working time arrangements. Reform the law creating the accords de maintien de l'emploi by the end of 2015 in order to increase their take-up by companies. Take action to reform the unemployment benefit system in order to bring the system back to budgetary sustainability and provide more incentives to return to work.	<b>Limited progress:</b> <b>Limited progress</b> has been made in reducing labour market segmentation. Higher social contributions for very short-term contracts have failed to provide more incentives for employers to hire on longer-term contracts, while the overall effect of the measures contained in the French Small Business Act announced by Prime Minister Manuel Valls on 9 June 2015 and adopted as part of the 2016 budget is unclear. A bonus of EUR 2 000 per year for two years was recently introduced for firms with fewer than 250 employees. This premium, however, concerns both permanent and fixed-term contracts of more than six months. Finally, the reform of the 'justice prud'homale' introduced by the Macron law ('loi Macron') could have reduced employers' costs associated to hiring an employee on a permanent rather than a fixed-term contract but it was overturned by the French constitutional court. <b>Limited progress</b> has been made in facilitating the take-up of derogations at company and branch level from general legal provisions. The reform of the labour regulation could grant more scope to company and branch level agreements to derogate from general legal provisions, but the details of the law are not yet known. <b>Some progress</b> has been made in reforming the employment conservation agreements ('accords de maintien de l'emploi'). The Macron law ('loi Macron') modified those, but no new agreement has been signed since the adoption of this law. <b>Limited progress</b> has been made in reforming the unemployment benefit system. While the 2015 national reform programme announces a reform of the unemployment benefit system for 1 July 2016 at the latest, its content is not known at the moment.
2016	CSR1	Limited progress	Ensure a durable correction of the excessive deficit by 2017 by taking the required structural measures and by using all windfall gains for deficit and debt reduction.	<b>Limited progress</b> (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact): The compliance assessment with the Stability and Growth Pact will be included in spring when final data for 2016 will be available. <b>Limited progress</b> has been made in reinforcing the identification of savings and efficiency gains generated by the

			Specify the expenditure cuts planned for the coming years and step up efforts to increase the amount of savings generated by the spending reviews, including on local government spending, by the end of 2016. Reinforce independent public policy evaluations in order to identify efficiency gains across all sub-sectors of general government.	spending reviews and public policy evaluations. The savings made following the spending reviews in the PLF 2017 total EUR 400 million, which is a small amount given the structural efforts required. Also, the second wave of spending reviews has not resulted in any proposed savings. A number of further public policy evaluations were launched and a meta-evaluation is ongoing.
2016	CSR2	Substantial progress	Ensure that the labour cost reductions are sustained and that minimum wage developments are consistent with job creation and competitiveness. Reform the labour law to provide more incentives for employers to hire on open-ended contracts.	<b>Substantial progress:</b> <b>Substantial progress</b> has been made in ensuring that labour cost reductions are sustained. The second phase of reductions in employers' social security contributions planned under the solidarity and responsibility pact started in April 2016, after the first phase introduced in 2015. In addition, the government has increased the tax credit for competitiveness and employment (CICE) from 6 % to 7 %. The 2016 national reform programme announced that the CICE would be transformed into permanent reductions in employers' social security contributions by 2018, but no details are available at the moment. <b>Some progress</b> has been made in ensuring that changes in the minimum wage are consistent with job creation and competitiveness. The minimum wage followed its indexation rule, leading to a 0.6 % increase on 1 January 2016. No intent to review the indexation mechanism has been expressed by the government. <b>Substantial progress</b> has been made in reforming the labour law. The El Khomri law on labour, social dialogue and professional pathways was adopted in July 2016. However, its final effect will depend on its full implementation and on social partners taking ownership of the flexibility the law offers. The reform of Labour Courts introduced by the 2015 Macron law was completed with the adoption, in November 2016, of a decree reviewing the indicative ceilings for unjustified individual dismissals.
2016	CSR3	Limited progress	Improve the links between the education sector and the labour market, in particular by reforming apprenticeships and vocational training, with emphasis on the low-skilled. By the end of 2016, take action to reform the unemployment benefit system in order to bring the system back to budgetary sustainability and to provide more incentives to return to work.	<b>Limited progress:</b> <b>Some progress</b> has been made in improving the links between the education sector and the labour market. The implementation of the 2014 vocational training reform is ongoing. Apprenticeship figures stopped decreasing in 2015. The El Khomri labour law introduces a new personal activity account (CPA), entering into force in January 2017. It mostly reinforces training rights for non-qualified active workers. <b>No progress</b> has been made in reforming the unemployment benefit system. Social partners failed to agree on a new unemployment benefit convention in July, leading to an extension of the current 2014 convention. The timeline for adopting a reform of the unemployment benefit system is not clear yet.
2016	CSR4	Some progress	Remove barriers to activity in the services sector, in particular in business services and regulated professions. Take steps to simplify and improve the efficiency of innovation policy schemes. By the end of 2016, further reform the size-related criteria in regulations that impede companies' growth and continue to simplify companies' administrative, fiscal and accounting rules by pursuing the simplification programme.	<b>Some progress:</b> <b>Some progress</b> has been made regarding the removal of barriers to activity in the regulated professions through sectoral legislation, notably the Loi Macron and the Loi Santé. France has adopted almost all the secondary legislation needed to implement provisions on liberalisation of professions that were not directly applicable. In other fields where reforms of the service sector were adopted in 2015 (e.g. home-care services), the legal framework was completed in 2016 and awaits implementation by local authorities. However, the ambition of measures to increase competition in regulated professions is lower than initially announced, mainly because of the implementation measures (for instance, as regards notaries). Some steps have also been taken to introduce competition in regional rail transport services for passengers on an experimental basis. <b>Limited progress</b> has been made to simplify and improve the efficiency of innovation policy schemes. While no recent measures have been adopted in this area, clear action to systematically evaluate innovation policy has been promoted in recent year(s), in particular by the National Commission for the Evaluation of Innovation Policies together with France Stratégie. These efforts include the evaluation of individual schemes (e.g. the CIR), and of the efficiency of the innovation policy as a whole. How these evaluations will be translated into policy practice is still to be seen. <b>No progress</b> to reform the size-related criteria in social and tax legislation has been made, as no new measures have been adopted in this area since the end of 2015. <b>Some progress</b> has been made to simplify companies' administrative, fiscal and accounting rules. The simplification programme is ongoing and encompasses new measures, but its implementation is slow. The 'Sapin II law' makes it easier for certain small companies to switch legal status, while it facilitates business creation by easing training requirements prior to starting a business and by removing the requirement for micro-entrepreneurs to open a second bank account at least during the first year of business.
2016	CSR5	Limited progress	Take action to reduce the taxes on production and the corporate income statutory rate while broadening the	<b>Limited progress:</b> <b>Limited progress</b> has been made in reducing taxes on production and the corporate income. The last tranche of the turnover tax (C3S) has not been abolished and still weighs on 20 000 businesses. The statutory rate of corporate income tax will

		<p>tax base on consumption, in particular as regards VAT. Remove inefficient tax expenditures, remove taxes that are yielding little or no revenue and adopt the withholding personal income tax reform by the end of 2016.</p>	<p>only be reduced to 28 % in 2017 for SMEs up to EUR 75 000 of profits. The objective of setting this rate at 28 % across the board by 2020 still stands. <b>No progress</b> on broadening the tax base on consumption, as the 2017 finance law does not remove or limit the use of reduced rates on VAT. <b>Some progress</b> has been made in modernising the tax system. The withholding tax reform for personal income tax has been adopted by Parliament and will be introduced by 2018. However, tax expenditures keep increasing in number and in value and have exceeded the ceiling set in the 2014-2019 multiannual budgetary framework. In 2017, 14 new tax expenditures will be introduced while only 4 are to be suppressed and 5 come to an end. The removal of taxes yielding little or no revenue is progressing at a very slow pace.</p>
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Year	CSR	Implementation assessment	Recommendation	Detailed assessment
2014	CSR1	Limited progress	Fully implement the budgetary measures adopted for 2014. Reinforce the budgetary strategy, further specifying announced measures for 2015 and 2016, and considering additional permanent, growth-friendly measures in order to ensure a sustainable correction of the excessive deficit by 2016. At the same time, ensure that the structural adjustment effort as specified in the Council recommendation under the Excessive Deficit Procedure is delivered. Align programme projections with ESA standards and Stability and Growth Pact requirements. Take measures to reinforce control over expenditure. By March 2015, carry out a thorough expenditure review. Reinforce the budgetary planning process, in particular by improving the accuracy of macroeconomic and budgetary forecasts and strengthening the binding nature of the annual and medium-term expenditure ceilings and improve the design of fiscal rules. By October 2014, ground in law the newly established Fiscal Policy Commission, strengthen its independence from all budgetary authorities, broaden its mandate, in particular with respect to the monitoring of all fiscal rules and the ex ante and ex post assessment of forecasts, and ensure adequate resourcing. Building on plans outlined in the National Reform Programme, present a concrete strategy to reform recurrent property taxation. Initiate a process of reporting and reviewing of tax expenditures. Improve tax compliance, in particular by further enhancing the efficiency of the tax administration; present an action plan to this end by the end of 2014.	<b>Limited progress</b> (this overall assessment of CSR 1 excludes an assessment of compliance with the Stability and Growth Pact): <b>Limited progress</b> in aligning programme projections with ESA standards and Stability and Growth Pact requirements. <b>Limited progress</b> on measures to improve control over expenditure. <b>Some progress</b> in carrying out a thorough expenditure review. <b>Some progress</b> in improving the budgetary planning process. <b>Limited progress</b> in grounding in law the newly established Fiscal Policy Commission, strengthening its independence from all budgetary authorities and broadening its mandate. <b>Limited progress</b> in building on plans outlined in the National Reform Programme and presenting a concrete strategy to reform recurrent property taxation. <b>Some progress</b> in initiating a process of reporting and reviewing tax expenditures. <b>Some progress</b> in improving tax compliance and presenting an action plan on this by the end of 2014.
2014	CSR2	Limited progress	Reduce access to early retirement. Adopt legislation by March 2015 to accelerate the planned harmonisation of statutory retirement ages of women and men and to advance the planned increase of the statutory retirement age to 67 years. Ensure enforcement of tighter disability pensions assessments and controls and accelerate the integration of pensions under special schemes into the general pension system. Strengthen the cost-effectiveness of the healthcare sector, including hospitals.	<b>Limited progress: No progress</b> in reducing access to early retirement, accelerating the planned harmonisation of statutory retirement ages, bringing forward the planned rise in the statutory retirement age to 67 years or integrating special scheme pensions more quickly into the general pension system. The number of disability pensions granted in 2014 is expected to have been substantially higher than in 2013 but lower than in previous years. <b>Some progress</b> in making the healthcare sector more cost-effective.
2014	CSR3	Some progress	Implement the second phase of the labour law reform, following consultation with the social partners, in particular as regards conditions for dismissals and working time, and with a view to preventing further labour market segmentation including for young people, by March 2015. Review the wage-setting system with a view to better aligning productivity developments and wage conditions. Present the conclusions of this review by the end of 2014. Strengthen the effectiveness and reach of active labour market policies by reinforcing the administrative capacities of the public employment services, including at regional level, and by increasing the coverage of the young, long-term unemployed and older workers. Prioritise outreach to non-registered youth and mobilise the private sector to offer more apprenticeships, in line with the objectives of a youth guarantee. Outline plans, by the end of 2014, to address undeclared work. Implement measures to improve the labour market relevance and quality of education outcomes by modernising the qualification systems, by putting in place quality assurance mechanisms and by	<b>Some progress:</b> Fully addressed implementation of the second phase of the labour law reform. <b>Some progress</b> in reviewing the wage setting system. The conclusions lack concrete policy proposals, however. <b>Some progress</b> in strengthening the effectiveness and reach of active labour market policies. <b>Substantial progress</b> in prioritising outreach to non-registered youth and mobilising the private sector to offer more apprenticeships. <b>Some progress</b> in outlining plans to address undeclared work. <b>Some progress</b> in implementing measures to improve the labour market relevance and quality of education outcomes.

			improving school-to-work transitions, in particular through strengthening vocational education and work-based learning.	
2014	CSR4	Some progress	Review tax and benefits systems by the end of 2014, and present an action plan to improve the reactivation of inactive and unemployed persons. Strengthen the effectiveness and transparency of the social protection system by further consolidating benefits, unifying eligibility criteria and linking data from all relevant levels and government entities in the "one-stop shop". Improve the effectiveness and adequacy of social assistance benefits through their better targeting.	<b>Some progress:</b> <b>Some progress</b> in reviewing tax and benefits systems and presenting an action plan to improve the reactivation of inactive and unemployed persons. <b>Limited progress</b> in strengthening the effectiveness and transparency of the social protection system and improving the effectiveness and adequacy of social assistance benefits through better targeting.
2014	CSR5	Limited progress	Take further measures to improve the business environment. In particular, by March 2015 set a target for considerably lowering administrative requirements, including para-fiscal charges. Address the high level of fragmentation and overlapping responsibilities by streamlining administrative processes and by clarifying the decision-making and accountability framework across various levels of government and at central government level between ministries and agencies. Improve administrative capacity and strategic planning of units entrusted with the management of European Structural and Investment Funds and provide them with adequate and stable staffing levels.	<b>Limited progress:</b> <b>Limited progress</b> in improving the business environment overall. The authorities initiated measurement of administrative burdens. Progress on reducing para-fiscal charges has been considerably slower than expected. <b>Limited progress</b> in addressing the high level of fragmentation and overlapping responsibilities across various levels of government. <b>Some progress</b> in improving the administrative capacity and strategic planning of units managing European Structural and Investment Funds and providing them with adequate and stable staffing levels.
2014	CSR6	Limited progress	Present, by October 2014, a detailed plan for public property management for 2015. Ensure that companies under state control are governed in a transparent and accountable manner, in particular, strengthen the competency requirements for members of management and supervisory boards nominated by the State and introduce a public register for appointments. Reinforce prevention of corruption in public administration and state-owned and state-controlled enterprises, including by increasing the verification powers of the Conflict of Interest Commission. Strengthen transparency and efficiency of public procurement at both central and local levels, and the capacity to monitor implementation and to detect irregularities.	<b>Limited progress:</b> <b>Limited progress</b> on improving the governance of companies under state control overall. The 2015 State Asset Management Plan was adopted in November 2014. The public appointments register has been made public. <b>Limited progress</b> in reinforcing prevention of corruption. The new anti-corruption strategy has been adopted but it lacks a sufficient level of detail as to measures that will be implemented.
2014	CSR7	Limited progress	By the end of 2014, reinforce the role of commercial courts in the monitoring of transparency and legality in the application of the corporate pre-bankruptcy procedure. Review the compulsory test of insolvency/illiquidity to access pre-bankruptcy settlement proceedings and streamline the insolvency/liquidation process to reduce its length. Improve the quality and efficiency of the judicial system, in particular by providing incentives to resolve proceedings in litigious civil and commercial cases and in administrative cases in a timely manner and to resort to out-of-court settlement especially for smaller claims.	<b>Limited progress:</b> <b>Some progress</b> in improving the pre-insolvency and insolvency framework for corporate entities. The new Insolvency Law is expected to be adopted by parliament in the first quarter of 2015. The reform reinforces the role of commercial courts, facilitates access to the procedure and streamlines the insolvency/liquidation process. <b>Limited progress</b> in improving the quality and efficiency of the judicial system overall. Implementing the reform of the judicial map could bring progress in improving the quality and efficiency of municipal, misdemeanour and county courts. Information and communication technology systems are being implemented in courts. No sufficient measures have been adopted to improve efficiency in litigious commercial cases. Some measures are planned to address efficiency in (first-instance) administrative cases.
2014	CSR8	Substantial progress	Complement the 2014 European Central Bank's asset quality reviews and stress test exercises, undertake a comprehensive portfolio screening exercise designed specifically for the Croatian financial sector, with a focus on important portfolios that are not covered by the European Central Bank exercise and including key mid-size and smaller banks.	<b>Substantial progress</b>

2015	CSR1	Limited progress	Ensure a durable correction of the excessive deficit by 2016 by taking the necessary measures in 2015 and reinforcing the budgetary strategy for 2016. Publish and implement the findings of the expenditure review. Improve control over expenditure at central and local level, in particular by establishing a sanctioning mechanism for entities breaching budgetary limits. Adopt the Fiscal Responsibility Act and strengthen the capacity and role of the State Audit Office. Introduce a recurrent property tax and improve VAT compliance. Reinforce public debt management, in particular by publishing on an annual basis a debt management strategy and ensuring adequate resourcing.	<b>Limited progress</b> (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact): <b>Limited progress</b> in the publication and implementation of the spending review, as only some of the identified saving measures are being implemented (namely in the area of health care and the rationalisation of public agencies). Preparatory work has been undertaken on public-sector wage-setting. The findings of the review have not been published nor presented to Parliament. <b>Limited progress</b> in improving control over expenditure at central and local level, adopting the Fiscal Responsibility Act (FRA) and strengthening the capacity and role of the State Audit Office (SAO), as the government adopted a new standard form for fiscal impact assessments on new legislation and secured additional funding for the SAO. The adoption of the new FRA has been postponed. <b>Limited progress</b> in introducing a recurrent property tax and improving VAT compliance, as measures are being taken to improve tax compliance, including a gradual development of a compliance risks management system. A reform of communal charges, presented as a step in broader property taxation reform, has been initiated. <b>No progress</b> in reinforcing public debt management and ensuring adequate resourcing, as the publication of a debt management strategy is delayed for end-2016 and no sufficient steps have been taken to ensure adequate resourcing.
2015	CSR2	Limited progress	Discourage early retirement by raising penalties for early exits. Improve the adequacy and efficiency of pension spending by tightening the definition of arduous and hazardous professions. Tackle the fiscal risks in healthcare.	<b>Limited progress</b> : <b>Limited progress</b> in discouraging early retirement and improving the adequacy and efficiency of pension spending, as planned policy action to encourage particular categories of workers to stay in longer employment has been put on hold. <b>Limited progress</b> in tackling the fiscal risks in healthcare, as the reduction in arrears in the health care system is not proceeding according to plan even though the financial situation of the hospital sectors is improving overall.
2015	CSR3	Limited progress	Tackle the weaknesses in the wage-setting framework, in consultation with the social partners and in accordance with national practices, to foster the alignment of wages with productivity and macroeconomic conditions. Strengthen incentives for the unemployed and inactive to take up paid employment. Based on the 2014 review, carry out the reform of the social security system and further consolidate social benefits by improving targeting and eliminating overlaps.	<b>Limited progress</b> : <b>Limited progress</b> in tackling the weaknesses in the wage-setting framework as preparatory steps have been taken to reform the wage-determination system in the public sector, but concrete measures have yet to be adopted. <b>Limited progress</b> in strengthening incentives to take up paid employment and carrying out the reform of the social protection system as the consolidation of social benefits is proceeding slowly and concrete reform plans following the 2014 review have not yet been put forward.
2015	CSR4	Limited progress	Reduce the extent of fragmentation and overlap between levels of central and local government by putting forward a new model for functional distribution of competencies and by rationalising the system of state agencies. Increase transparency and accountability in the public corporate sector, in particular as regards managerial appointments and competency requirements. Advance the listing of minority packages of shares of public companies and privatisations.	<b>Limited progress</b> in reducing fragmentation and overlap between levels of central and local government as a comprehensive reform of local governance is lagging behind and the rationalisation of the agency system had been initiated but is currently on hold. <b>Some progress</b> in increasing transparency and accountability in the public corporate sector, as new legislation on managerial appointments has been adopted, though it remains to be established how the new provisions will be implemented. <b>Limited progress</b> in advancing the listing of minority packages of shares of public companies and privatisations as no new privatisations took place, apart from the recapitalisation of the state bank HPB with an increased share of private owners.
2015	CSR5	Limited progress	Significantly, reduce parafiscal charges and remove excessive barriers for service providers. Identify and implement steps to improve the efficiency and quality of the justice system, in particular commercial courts.	<b>Limited progress</b> : <b>Limited progress</b> in reducing fragmentation and overlap between levels of central and local government as a comprehensive reform of local governance is lagging behind and the rationalisation of the agency system had been initiated but is currently on hold. <b>Some progress</b> in increasing transparency and accountability in the public corporate sector, as new legislation on managerial appointments has been adopted, though it remains to be established how the new provisions will be implemented. <b>Limited progress</b>

				in advancing the listing of minority packages of shares of public companies and privatisations as no new privatisations took place, apart from the recapitalisation of the state bank HPB with an increased share of private owners.
2015	CSR6	Some progress	Reinforce the pre-insolvency and insolvency frameworks for businesses in order to facilitate debt restructuring and put in place a personal insolvency procedure. Strengthen the capacity of the financial sector to support the recovery in view of challenges from high non-performing corporate loans and foreign currency mortgage loans, and weak governance practices in some institutions.	<b>Some progress: Substantial progress</b> in reinforcing the pre-insolvency and insolvency frameworks for businesses and putting in place a personal insolvency procedure as implementation of the amended corporate insolvency legislation is expected to contribute to faster resolution of impaired debt and the legislative framework for personal insolvency entered into force, tough implementation could prove challenging. <b>Some progress</b> in strengthening the capacity of the financial sector to support the recovery in view of challenges from high non-performing corporate loans. Although no additional measures to tackle the issue have been prepared, the non-performing loans (NPL) ratio is stabilising at a high level. The reform of the insolvency framework is expected to support a faster resolution of NPLs. <b>Limited progress</b> in strengthening the capacity of the financial sector to support the recovery in view of challenges from foreign currency mortgage loans, as the CHF loan conversion legislation puts strain on public finances and causes substantial losses for banks. <b>Some progress</b> in addressing the challenges from weak governance practices in some institutions, as there is a commitment from the authorities to carry out an asset quality review of the credit portfolio of the Croatian Bank for Reconstruction and Development (HBOR) in 2017.
2016	CSR1	Limited progress	Ensure a durable correction of the excessive deficit by 2016. Thereafter, achieve an annual fiscal adjustment of at least 0,6 % of GDP in 2017. Use any windfall gains to accelerate the reduction of the general government debt ratio. By September 2016, reinforce numerical fiscal rules and strengthen the independence and the mandate of the Fiscal Policy Commission. By the end of 2016, improve budgetary planning and strengthen the multi-annual budgetary framework. By the end of 2016, start a reform of recurrent taxation of immovable property. Reinforce the framework for public debt management. Adopt and start implementing a debt management strategy for 2016-2018.	<b>Limited progress</b> (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact): <b>Limited progress</b> in reinforcing numerical fiscal rules and strengthening the independence and the mandate of the Fiscal Policy Commission. While a new draft of the fiscal responsibility act and budget act were prepared, they have still not been adopted. <b>Limited progress</b> in improving budgetary planning and strengthen the multi-annual budgetary framework. <b>Some progress</b> in reforming recurrent property taxation. The authorities have introduced a simple recurrent real estate tax through amendments to the law on local taxes. The tax will enter into force as of 2018. <b>Some progress</b> regarding public debt management, related to the adopted debt management strategy, which covers the 2017-2019 period.
2016	CSR2	No progress	By the end of 2016, take measures to discourage early retirement, accelerate the transition to the higher statutory retirement age, and align pension provisions for specific categories with the rules of the general scheme. Provide appropriate up- and re-skilling measures to enhance the employability of the working-age population, with a focus on the low-skilled and the long-term unemployed. Consolidate social protection benefits, including special schemes, by aligning eligibility criteria and integrating their administration, and focus support on those most in need.	<b>No progress: No progress</b> in reforming the pension system Announced measures encouraging longer working lives and streamlining pension provisions have not been implemented. The authorities have completed a review of the arduous or hazardous professions benefiting from more generous pension provisions. However, the planned streamlining has not yet taken place. <b>Limited progress</b> in providing up- and re-skilling measures. The programme for developing vocational education training has been adopted and new legislation is being prepared to improve adult learning. However, the scope of training actions provided by the Public Employment Services seems inadequate in view of the size of the challenge. There are no significant developments on recognition of skills and validation of non-formal and informal learning. <b>No progress</b> in improving the social protection system. The action plan setting out the reform priorities has not yet been adopted. The authorities have completed the analysis of benefits granted at central government level with a view to categorising them and harmonising eligibility criteria. The planned introduction of means-testing for the child allowance is currently being reviewed. The establishment of one-stop shops to administer and provide social services is being

				postponed for the second time in a year. This has delayed the implementation of all the related reform measures.
2016	CSR3	Limited progress	By the end of 2016, start reducing fragmentation and improving the functional distribution of competencies in public administration to improve efficiency and reduce territorial disparities in the delivery of public services. In consultation with social partners, harmonise the wage-setting frameworks across the public administration and public services. Advance the divestment process of state assets and reinforce the monitoring of state-owned enterprises' performance and boards' accountability, including by advancing the listing of shares of state-owned companies.	<b>Limited progress:</b> <b>Limited progress</b> in reforming the public administration. The main pillars of the reform have all been postponed due to lack of political commitment. In December 2016 the government adopted a new version of the 2017-2020 action plan for the modernisation of the public administration. New legislation redefining the division of tasks between the central and local state administration offices was due to be adopted in December 2016 but is still under preparation. There is no clear timetable for the plan to reduce the over 1 200 local branches of central administration offices by 20 %. The planned harmonisation and rationalisation of the state agencies system has been put on hold. <b>No progress</b> in harmonising the wage-setting frameworks. The adoption of new legislation on public sector wages has been postponed by two years, to the end of 2019. Preparatory work has been carried out to develop an IT system to support the introduction of a universal system of wage grades. The authorities have also developed common guidelines for the negotiation, coordination and monitoring of collective agreements in the public administration. As far as state-owned enterprises are concerned, no further steps have been taken in setting up a coordinated system for collective bargaining. <b>Limited progress</b> in improving performance monitoring and corporate governance of state owned enterprises, and in divestment from state assets. Eight companies were removed from the government's list of companies and other legal entities of strategic and special interest, whereas the sale of stakes in non-strategic companies yielded income of 0.2 % of GDP in 2016.
2016	CSR4	Limited progress	Significantly reduce parafiscal charges. Remove unjustified regulatory restrictions hampering access to and the practice of regulated professions. Reduce the administrative burden on businesses.	<b>Limited progress:</b> <b>Limited progress</b> in reducing parafiscal charges. The authorities have decreased or cut only five parafiscal charges, with an impact significantly lower than planned in the national reform programme. <b>Limited progress</b> in removing regulatory restrictions in regulated professions. An action plan was submitted in July 2016, but it entails only limited reform proposals and does not provide details on the substance of the amendments. For a number of professions, the action plan states that current regulation is adequate and no modification is needed. <b>Limited progress</b> in reducing the administrative burden. An action plan for the reduction of administrative burden was adopted by the government.
2016	CSR5	Limited progress	Take measures to improve the quality and efficiency of the judicial system in commercial and administrative courts. Facilitate the resolution of non-performing loans, in particular by improving the tax treatment of the resolution of non-performing loans.	<b>Limited progress:</b> <b>Limited progress</b> in reducing parafiscal charges. The authorities have decreased or cut only five parafiscal charges, with an impact significantly lower than planned in the national reform programme. <b>Limited progress</b> in removing regulatory restrictions in regulated professions. An action plan was submitted in July 2016, but it entails only limited reform proposals and does not provide details on the substance of the amendments. For a number of professions, the action plan states that current regulation is adequate and no modification is needed. <b>Limited progress</b> in reducing the administrative burden. An action plan for the reduction of administrative burden was adopted by the government.

## ITALY

Year	CSR	Implementation assessment	Recommendation	Detailed assessment
2014	CSR1	Limited progress	Reinforce the budgetary measures for 2014 in the light of the emerging gap relative to the Stability and Growth Pact requirements, namely the debt reduction rule, based on the Commission services 2014 spring forecast and ensure progress towards the MTO. In 2015, significantly strengthen the budgetary strategy to ensure compliance with the debt reduction requirement and thus reaching the MTO. Thereafter, ensure that the general government debt is on a sufficiently downward path; carry out the ambitious privatisation plan; implement a growth-friendly fiscal adjustment based on the announced significant savings coming from a durable improvement of the efficiency and quality of public expenditure at all levels of government, while preserving growth-enhancing spending like R&D, innovation, education and essential infrastructure projects. Guarantee the independence and full operationalisation of the fiscal council as soon as possible and no later than September 2014, in time for the assessment of the 2015 Draft Budgetary Plan.	<b>Limited progress:</b> (this overall assessment excludes an assessment of compliance with the Stability and Growth Pact): <b>Limited progress</b> was made to improve the efficiency and quality of public spending. Ministers were directly involved in selecting areas within their own budgets eligible for targeted savings without recourse to linear expenditure cuts as in the past. However, the need to preserve growth-enhancing expenditure items and improve the economic efficiency of the public administration would still require top-down coordination and monitoring. The identification of additional savings at regional level (EUR 4 billion in 2015) has been delayed. <b>Limited progress</b> was made with regard to privatisation. Privatisation proceeds in 2014 amounted to 0.2% of GDP (mainly related to the reimbursement of Monti bonds by Banca Monte dei Paschi), short of the target of 0.7% per year. <b>Substantial progress</b> was made with regard to the Italy's Fiscal Council, which has been operational since September 2014.
2014	CSR2	Some progress	Further shift the tax burden from productive factors to consumption, property and the environment, in compliance with the budgetary targets. To this end, evaluate the effectiveness of the recent reduction in the labour tax wedge and ensure its financing for 2015, review the scope of direct tax expenditures and broaden the tax base, in particular on consumption. Ensure more effective environmental taxation, including in the area of excise duties, and remove environmentally harmful subsidies. Implement the enabling law for tax reform by March 2015, including by adopting the decrees leading to the reform of the cadastral system to ensure the effectiveness of the reform of immovable property taxation. Further improve tax compliance by enhancing the predictability of the tax system, simplifying procedures, improving tax debt recovery and modernising tax administration. Pursue the fight against tax evasion and take additional steps against the shadow economy and undeclared work.	<b>Some progress:</b> <b>Some progress</b> was made in shifting taxation away from labour. A tax credit (of EUR 10 billion or 0.6% of GDP per year) was introduced for low-income earners in April 2014 and the labour component was excluded from the calculation of the regional business tax (IRAP) from Jan 2015. For new hires under open-ended contracts in 2015, private sector employers will not pay social security contributions for three years. <b>Limited progress</b> was made on tax expenditures, environmental taxation, and removal of environmentally harmful subsidies. <b>Some progress</b> was made to simplify procedures (including pre-filled tax returns) and improve compliance (including measures to prevent carousel fraud in VAT and facilitate voluntary disclosure). A report on tax evasion was published in October 2014, which assesses the tax gap (EUR 91 billion).
2014	CSR3	Limited progress	As part of a wider effort to improve the efficiency of public administration, clarify competences at all levels of Government. Ensure better management of EU funds by taking decisive action to improve administrative capacity, transparency, evaluation and quality control both at national and regional level, especially in southern regions. Further enhance the effectiveness of anti-corruption measures, including by revising the statute of limitations by the end of 2014, and strengthening the powers of the national anti-corruption authority. Monitor in a timely manner the impact of the reforms adopted to increase the efficiency of civil justice with a view to securing their effectiveness and adopting complementary action if needed.	<b>Limited progress:</b> <b>Limited progress</b> was made to improve the efficiency of public administration, although some effort is under way. The Senate completed its first reading of the draft constitutional bill clarifying the competences of different levels of government. A draft enabling law envisaging a comprehensive reform of the public administration is currently being considered by the Senate. The agency for territorial cohesion is about to become operational. <b>Limited progress</b> was made in the fight against corruption. In particular, the process to revise the Italian statute of limitations is still in the initial phase. However, the powers of anti-corruption authority ANAC were enhanced and the new offence of self-laundering was introduced into the Italian criminal code. <b>Some progress</b> was made towards improving the functioning of civil justice. Electronic filing in civil, administrative and tax-related trials became obligatory and the 'office of proceedings' was established. The possibility to transfer pending cases to arbitration and a new pre-trial procedure of 'assisted negotiation' (negoziazione assistita), mandatory in certain cases, was introduced. Simplification measures were also introduced. Further reforms are under way.

2014	CSR4	Some progress	<p>Reinforce the resilience of the banking sector and ensure its capacity to manage and dispose of impaired assets to revive lending to the real economy. Foster non-bank access to finance for firms, especially small and medium-sized businesses. Continue to promote and monitor efficient corporate governance practices in the whole banking sector, with particular attention to large cooperative banks ('banche popolari') and the role of foundations, with a view to improving the effectiveness of financial intermediation.</p>	<p><b>Some progress:</b> <b>Some progress</b> was made on the disposal of impaired assets, but the efforts were concentrated only in the largest banks, especially in the context of the European Central Bank's comprehensive assessment of the euro-area banking sector. <b>Some progress</b> was made on addressing the corporate governance weaknesses in the banking sector. The Bank of Italy has strengthened the corporate governance of banks by requiring inter alia a clear distinction of responsibilities and powers of corporate governance bodies, the effectiveness of controls and a composition of governing bodies which is consistent with the size and the complexity of banks. Italy's largest cooperative banks (banche popolari) – i.e. those with more than EUR 8 billion assets – are required to transform themselves into joint-stock companies, thus abolishing the 'one head-one vote' rule. No specific initiative was taken yet on the role of foundations in Italy's banking sector. <b>Substantial progress</b> was made towards facilitating and diversifying firms' access to finance. Measures include the strengthening of the allowance for corporate equity (ACE) framework, tax incentives for investment in mini-bonds by institutional and foreign investors, the further enhancing of the Central Guarantee Fund for SMEs, the introduction of direct lending by insurance firms, incentives for SMEs to list themselves on the stock market, investment support programmes by Cassa Depositi e Prestiti (e.g. Nuova Sabatini), the extending of the existing research and development tax credit framework and the introduction of a favourable tax regime ('Patent Box') for revenues from the use or sale of patents and trademarks.</p>
2014	CSR5	Some progress	<p>Evaluate, by the end of 2014, the impact of the labour market and wage-setting reforms on job creation, dismissals' procedures, labour market duality and cost competitiveness, and assess the need for additional action. Work towards a more comprehensive social protection for the unemployed, while limiting the use of wage supplementation schemes to facilitate labour re-allocation. Strengthen the link between active and passive labour market policies, starting with a detailed roadmap for action by December 2014, and reinforce the coordination and performance of public employment services across the country. Adopt effective action to promote female employment, by adopting measures to reduce fiscal disincentives for second earners by March 2015 and providing adequate care services. Provide adequate services across the country to non-registered young people and ensure stronger private sector commitment to offering quality apprenticeships and traineeships by the end of 2014, in line with the objectives of a youth guarantee. To address exposure to poverty and social exclusion, scale-up the new pilot social assistance scheme, in compliance with budgetary targets, guaranteeing appropriate targeting, strict conditionality and territorial uniformity, and strengthening the link with activation measures. Improve the effectiveness of family support schemes and quality services favouring low-income households with children.</p>	<p><b>Some progress:</b> <b>Some progress</b> was made to reduce segmentation, increase exit flexibility, reform passive and active labour market policies and foster participation. A broad-ranging enabling law for reforming the labour market was adopted in December 2014, with two important legislative implementing decrees on employment protection and the revision of unemployment benefits being already adopted and two, respectively on labour contracts and work-life balance, subject to the non-binding opinion of the Parliament. Other implementing legislative decrees (on active labour market policies, review of wage-supplementation schemes and inspections) are expected to follow before June 2015. <b>Limited progress</b> was made on youth unemployment. The implementation of the Youth Guarantee started in May 2014 but take-up is limited. <b>Limited progress</b> was made to address exposure to poverty. A pilot project on the social inclusion scheme (SIA) has been carried out in 12 metropolitan cities. Under the labour market reform, an unemployment assistance scheme is being established (ASDI).</p>
2014	CSR6	Some progress	<p>Implement the National System for Evaluation of Schools to improve school outcomes in turn and reduce rates of early school leaving. Increase the use of work-based learning in upper secondary vocational education and training and strengthen vocationally-oriented tertiary education. Create a national register of qualifications to ensure wide recognition of skills. Ensure that public funding better rewards the quality of higher education and research.</p>	<p><b>Some progress:</b> <b>Some progress</b> was made in implementing the National System for Evaluation of schools, which is being phased in. A public consultation on the reform of the education system was closed in November 2014 and legislative follow up is expected in early 2015. <b>Some progress</b> was made towards increasing the share of performance-related public funding for universities (from 13.5% in 2013 to 18% in 2014). Standard costs will gradually be introduced over 2014-18 as criteria for allocating the remaining share of public funding. <b>Limited progress</b> was made on vocational training. The national register of qualifications is due to be ready by early 2015. More action is expected under the forthcoming broader reform.</p>

2014	CSR7	Limited progress	Approve the pending legislation or other equivalent measures aimed at simplifying the regulatory environment for businesses and citizens and address implementation gaps in existing legislation. Foster market opening and remove remaining barriers to, and restrictions on, competition in the professional and local public services, insurance, fuel distribution, retail and postal services sectors. Enhance the efficiency of public procurement, especially by streamlining procedures including through the better use of e-procurement, rationalising the central purchasing bodies and securing the proper application of pre- and post-award rules. In local public services, rigorously implement the legislation providing for the rectification of contracts that do not comply with the requirements on in-house awards by 31 December 2014.	<b>Limited progress:</b> <b>Some progress</b> was made to simplify the regulatory environment for business and citizens. The government has adopted the 'Simplification Agenda for 2015-17' to foster cooperation between central and regional governments in establishing a more coherent simplification framework and measures have been taken to simplify authorisation procedures in environmental and construction matters. <b>Limited progress</b> was made in improving public procurement. Measures to rationalise public procurement have been taken and a draft enabling law for the reform of the public procurement code was tabled in government. <b>No progress</b> was made to reform local public services. The deadline of end-2014 for rectifying contracts that do not comply with EU law has been postponed to end-2015. The observatory that is supposed to oversee the implementation of relevant legislation is not yet operational. The draft enabling law for the reform of the public administration includes measures to reform local public services. <b>Limited progress</b> was made to address restrictions on competition in other sectors, for which a 'law for competition' has been announced. In the banking sector, the regulation concerning the portability of bank accounts was improved. The rental market for non-residential large buildings was opened. Italy is actively participating in the mutual evaluation exercise provided for in the Directive amending the Professional Qualifications Directive but has yet to complete its review.
2014	CSR8	Limited progress	Ensure swift and full operationalisation of the Transport Authority by September 2014. Approve the list of strategic infrastructure in the energy sector and enhance port management and connections with the hinterland.	<b>Limited progress:</b> <b>Substantial progress</b> was made on the Transport Authority, which is now operational, although understaffed. <b>Limited progress</b> was made with regard to strategic infrastructures in energy and ports. Decree-law 90/2014 sets out criteria for selecting strategic infrastructures and envisages a strategic plan for Italian ports but no concrete steps to implement it have been taken yet
2015	CSR1	Limited progress	Achieve a fiscal adjustment of at least 0.25% of GDP towards the medium-term objective in 2015 and of 0.1% of GDP in 2016 by taking the necessary structural measures in both 2015 and 2016, taking into account the allowed deviation for the implementation of major structural reforms. Swiftly and thoroughly implement the privatisation programme and use windfall gains to make further progress towards putting the general government debt ratio on an appropriate downward path. Implement the enabling law for tax reform by September 2015, in particular the revision of tax expenditures and cadastral values and the measures to enhance tax compliance.	<b>Limited progress:</b> (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact): <b>Limited progress</b> has been made regarding the spending review. Some positive spending review actions have been recently implemented in Italy, yet saving targets tend to be systematically lowered or underachieved. An encompassing intervention on tax expenditures and local public enterprises, as well as the implementation of the extension of centralised public procurement to the regional level are still pending. The deadline for the central government to reform the budgetary process towards a more performance-informed budgeting approach has been postponed. <b>Some progress</b> has been made regarding privatisations. Privatisation proceeds accounted for around 0.4 % of GDP in 2015, thanks to the operation related to ENEL and the successful initial public offering of the postal operator Poste Italiane. For 2016, projected privatisation proceeds earmarked to debt reduction amount to 0.5 % of GDP but details are not yet available and significant downside risks remain (given also the recent postponement of the privatisation of Ferrovie dello Stato beyond 2016). <b>Limited progress</b> has been made regarding the taxation reform. The enabling law for the reform of the tax system has been implemented by the foreseen deadline, featuring eight legislative decrees. Nevertheless, crucial aspects such as the reform of the outdated cadastral values and the systematic revision of tax expenditures were left out of its scope. Moreover, some of the implementing provisions, such as the higher threshold for cash payments and the revised sanctions system for tax-related offences raise doubts concerning their impact on tax evasion and avoidance. Last, but not least, simultaneously adopted tax reforms, such as the recent abolition of the property tax on first residences, appear at odds with the objective to broaden the tax base and shift the tax burden away from productive factors and onto property and consumption.

2015	CSR2	Some progress	Adopt the planned national strategic plan for ports and logistics, particularly to help promote intermodal transport through better connections. Ensure that the Agency for Territorial Cohesion is made fully operational so that the management of EU funds markedly improves.	<b>Some progress: Limited progress</b> has been made regarding ports. The national strategic plan for port and logistics has been adopted, but the Constitutional Court accepted the Campania region's plea for unconstitutionality as regions were not directly involved. After this problem has been overcome, the plan needs to be operationalised. <b>Some progress</b> has been made regarding the management of EU funds. The Agency for Territorial Cohesion is now operational. Furthermore, The department for cohesion policy has been reformed and is now part of the Prime Minister's office, but uncertainties remain in terms of staffing.
2015	CSR3	Some progress	Adopt and implement the pending laws aimed at improving the institutional framework and modernising the public administration. Revise the statute of limitations by mid-2015. Ensure that the reforms adopted to improve the efficiency of civil justice help reduce the length of proceedings.	<b>Some progress: Some progress</b> has been made regarding the reform of the institutional framework and public administration. The enabling law to reform the public administration has been adopted in August 2015. In January 2016, a first set of implementing decrees (inter alia dealing with state-owned enterprises, local public services, the simplification of the Conferenza dei Servizi, and the simplification and speeding up of administrative procedures) has been proposed by the government. The parliamentary discussion on the constitutional reform – allowing more stable parliamentary majorities, changing the role of the Senate and clarifying the division of competences between the various government levels – is still ongoing but progressing according to schedule: the final vote by the Chamber of Deputies is expected in April 2016. A new electoral law has been adopted in May 2015 and will enter into force as of July 2016. <b>Limited progress</b> has been made regarding the fight against corruption. Maximum penalties for corruption were raised, which in turn extended prescription terms, but the underlying structural problems relating to the statute of limitations remain. A draft law containing provisions to this end is still under parliamentary discussion. <b>Some progress</b> has been made regarding the improvement of civil justice efficiency. The 2014 laws to reform the civil justice system are being implemented with some positive results. The digitalisation of civil trials has been mandatory at first instance since December 2014 and the possibility of electronic filing of the first exchange of statements between the parties in all first and second instance courts was introduced. The digitalisation of tax-related trials is still ongoing. The Ministry of Justice is continuing to pursue the so-called 'Barbuto Plan' and is implementing a multi-year project to reduce the backlog. Two enabling laws (on reforming the honorary magistracy and judges of peace, and streamlining civil procedural rules and reinforcing the specialisation of courts) are still under parliamentary discussion. Although these reforms can improve the functioning of the justice system, the latest evidence does not yet show positive results, in particular concerning the length of court proceedings.
2015	CSR4	Substantial progress	Introduce binding measures by end-2015 to tackle remaining weaknesses in the corporate governance of banks, particularly the role of foundations, and take measures to accelerate the broad-based reduction of non-performing loans.	<b>Substantial progress: Substantial progress</b> has been made regarding the improvement of banks' corporate governance. Two important governance reforms relating to large cooperative banks and bank foundations are under implementation, and a third one on small mutual banks has just been presented by the government. <b>Some progress</b> has been made regarding the improvement of asset quality in the banking sector. Italy has passed a law intervening on the tax treatment of loan loss provisions and on the insolvency and foreclosure framework, which should contribute to the development of a private non-performing loan market. The authorities have also announced a state-aid-free guarantee scheme for NPL securitisations to achieve to significantly reduce the stock of impaired loans on banks' balance sheets. Although the growth of the NPL stock in the banking system has started to stabilise, it remains at a record high.
2015	CSR5	Substantial progress	Adopt the legislative decrees on the use of wage supplementation schemes, the revision of contractual arrangements, work-life balance and the strengthening of active labour market policies. Establish, in consultation with the social partners and	<b>Substantial progress:</b> Full implementation has been achieved regarding the revision of wage supplementation schemes and contractual arrangements. The relevant legislative decrees following the Jobs Act have been adopted in June and September 2015. <b>Substantial progress</b>

			in accordance with national practices, an effective framework for second-level contractual bargaining. As part of efforts to tackle youth unemployment, adopt and implement the planned school reform and expand vocationally-oriented tertiary education.	has been made regarding work-life balance and active labour market policies. The relevant legislative decrees following the Jobs Act have been adopted in June and September 2015. However, considerable administrative, political and resource challenges have to be overcome for the implementation of the measures related to active labour market policies which starts in the beginning of 2016. <b>Limited progress</b> has been made regarding the decentralisation of wage bargaining. In January 2016, the three main trade unions agreed on a proposal for a new bargaining framework. However, an agreement with the employers' associations still needs to be found. The 2016 Stability Law introduced tax incentives on productivity-related premiums agreed at decentralised level with the intention of fostering decentralised bargaining. <b>Substantial progress</b> has been made regarding the reform of education. The school reform adopted in July 2015, and implementing decrees are to be adopted by January 2017.
2015	CSR6	Limited progress	Implement the simplification agenda for 2015-2017 to ease the administrative and regulatory burden. Adopt competition-enhancing measures in all the sectors covered by the competition law, and take decisive action to remove remaining barriers. Ensure that local public services contracts not complying with the requirements on in-house awards are rectified by no later than end-2015.	<b>Limited progress: Some progress</b> has been made regarding business environment simplification. The measures under the 2015-2017 simplification agenda are being implemented according to the timeline set. Progress reports are available on a dedicated website. <b>Limited progress</b> has been made regarding the fostering of competition in services. The 2015 annual competition law presented by the government in early 2015 has been voted in first reading by the Chamber of Deputies, but it is currently still under discussion in the Senate. Moreover, some provisions have been watered down during the parliamentary process. <b>No progress</b> has been made regarding the rectification of local public service contracts. At the end of 2015, no information was available on the number and extent of non-compliant contracts and their rectification. However, important provisions to reform the sector have been included in the 2015 enabling law to reform the public administration.
2016	CSR1	Some progress	In 2016, limit the temporary deviation from the required 0,5 % of GDP adjustment towards the medium-term budgetary objective to the amount of 0,75 % of GDP allowed for investments and the implementation of structural reforms, subject to the condition of resuming the adjustment path towards the medium-term budgetary objective in 2017. Achieve an annual fiscal adjustment of 0,6 % or more of GDP towards the medium-term budgetary objective in 2017. Finalise the reform of the budgetary process in the course of 2016 and ensure that the spending review is an integral part of it. Ensure the timely implementation of the privatisation programme and use the windfall gains to accelerate the reduction of the general government debt ratio. Shift the tax burden from productive factors onto consumption and property. Reduce the number and scope of tax expenditures and complete the reform of the cadastral system by mid-2017. Take measures to improve tax compliance, including through electronic invoicing and payments.	<b>Some progress</b> (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact): The assessment of compliance with the Stability and Growth Pact will be made in Spring. <b>Substantial progress</b> has been made in reforming the budgetary process. A comprehensive reform of the process was passed in 2016. Its full implementation is expected in the 2018 Budget Law, which would make the spending review a more integral part of the budgeting process. <b>Limited progress</b> has been made in implementing the privatisation programme and in using the windfall gains to reduce public debt. In 2016, Italy has underachieved its privatisation targets (at 0.1 % of GDP in 2016 versus the planned 0.5 %) and the lower interest rate expenditure was counterbalanced by increased primary expenditure. <b>Some progress</b> has been made in shifting the tax burden from productive factors onto consumption and property. Italy's 2017 Budget Law contains several measures affecting the tax wedge on labour, including lower tax rates on productivity premia agreed in decentralised bargaining, an exemption from the payment of social security contributions for certain new hires, and the reduction of the social security contributions rate for the self-employed. These measures compound more sizeable measures taken in 2014 and 2015 to reduce the labour tax wedge. <b>Limited progress</b> has been made in reducing the number and scope of tax expenditures and in completing the reform of the cadastral system. <b>Limited progress</b> has been made in improving tax compliance. The 2017 Budget Law introduces a new tax on business income (IRI) to harmonise the tax system of small firms and corporations. It also introduces transparency provisions on the communication of invoices and VAT data, and a reform of tax administration, merging the tax-recovery agency (Equitalia) with the revenue agency. Sanctions and fines related to unpaid taxes in 2000-2015 are waived for taxpayers spontaneously regularising their tax position.

2016	CSR2	Limited progress	Implement the reform of the public administration by adopting and implementing all necessary legislative decrees, in particular those reforming publicly-owned enterprises, local public services and the management of human resources. Step up the fight against corruption including by revising the statute of limitations by the end of 2016. Reduce the length of civil justice proceedings by enforcing reforms and through effective case-management.	<p><b>Limited progress:</b> <b>Limited progress</b> has been made in implementing the public administration reform. Several implementing decrees have been adopted. However, on 25 November 2016, the Constitutional Court ruled that the procedure envisaged was unconstitutional for the decrees pointed out in the recommendations, notably those concerning human resource management, local public services and publicly-owned enterprises. Some of them had been already adopted (those regulating the management level in the health sector, disciplinary dismissals and state-owned enterprises) and have therefore to be amended. For two decrees, (on local public services and public managers), the delegation had already expired. The decree on non-managerial staff was also concerned, but it can still be adopted under the enabling law with the correct procedure. <b>No progress</b> has been made in revising the statute of limitations. <b>Some progress</b> has been made in enforcing civil justice reform and improving case-management but the length of proceedings is not decreasing.</p>
2016	CSR3	Some progress	Accelerate the reduction in the stock of non-performing loans, including by further improving the framework for insolvency and debt collection. Swiftly complete the implementation of ongoing corporate governance reforms in the banking sector.	<p><b>Some progress:</b> <b>Limited progress</b> has been made in reducing non-performing loans (NPLs). In April 2016, a law was passed creating an NPL securitisation scheme supported by state guarantees (GACS), which became operational in August 2016 with the adoption of an implementing decree. Since April 2016, two private-sector backstop funds (Atlante I and II) have been set up to support the recapitalisation and the impaired asset disposal of vulnerable banks. Furthermore, the Bank of Italy has issued a new reporting template requiring banks to provide detailed data on their bad loans, collateral and ongoing recovery procedures. Although all these measures — including several reforms of insolvency and collateral enforcement rules — are in principle helpful in fostering the development of a secondary market for distressed assets in Italy, they have not yet resulted in significant short-term relief for the banking sector. In December 2016, the government approved the setup of a EUR 20 billion fund for the precautionary recapitalisation of and liquidity support for vulnerable banks, but it is not yet clear whether this will be a turning-point in the clean-up of the Italian banking sector. <b>Some progress</b> has been made in improving the framework for insolvency and debt collection. In June 2016, further changes to Italy's insolvency and collateral enforcement rules were made. Inter alia, provisions authorise private enforcement clauses in loan contracts allowing creditors to take ownership of collateral out-of-court in the event of a debtor's default (patto marciano), and enable entrepreneurs to pledge movable assets while continuing to use them (a kind of non-possessory lien). Furthermore, an electronic register for insolvency cases will be set up, and hearings can now be held electronically. The reforms complement those of 2015, but it may take some time before their results in terms of shorter proceedings and higher recovery values — essential for NPL market activity — materialise. In the meantime, a draft enabling law aiming to fundamentally overhaul the insolvency and enforcement framework is currently under parliamentary discussion. <b>Some progress</b> has been made in implementing corporate governance reform. With the adoption of a law in April 2016 and implementing provisions by the Bank of Italy in November 2016, the 18-month implementation period started for the self-reform of the segment of small mutual banks (banche di credito cooperativo (BCCs)). BCCs wishing to retain their cooperative status will have to join one of the cooperative banking groups that will be set up, and their relationship with the group's holding company will be determined by risk-based 'cohesion contracts'. The implementation of the 2015 reforms of large cooperative banks (banche popolari) and bank foundations has continued, although legal challenges and unfavourable market conditions have led to some delays.</p>
2016	CSR4	Some progress	Implement the reform of active labour market policies, in particular by strengthening the effectiveness of employment services. Facilitate the take-up of	<p><b>Some progress:</b> <b>Some progress</b> has been made in implementing the reform of ALMPs. The new Agency in charge of active labour market policies (ANPAL) is operational as of January</p>

			work for second earners. Adopt and implement the national antipoverty strategy and review and rationalise social spending.	2017. A pilot outplacement voucher (assegno di ricollocazione) scheme was launched in November 2016 covering a sample of 30 000 beneficiaries. <b>Limited progress</b> has been made in facilitating the take-up of work by second earners. The 2017 Budget Law extends paternity leave from two to four days as of 2018. It also extends to 2017 and 2018 the possibility, first introduced in 2012, to exchange parental leave with babysitting vouchers and introduces a non-means-tested voucher for EUR 1 000 per year to be spent in public or private nurseries. <b>Some progress</b> has been made with regard to the national antipoverty strategy. The active inclusion measure (SIA), which provides economic and social care to disadvantaged households, was rolled out at national level. An enabling law aimed at establishing a single comprehensive scheme against poverty, replacing SIA and the unemployment assistance scheme (ASDI), has been approved by the Chamber of Deputies.
2016	CSR5	Limited progress	Swiftly adopt and implement the pending law on competition. Take further action to increase competition in regulated professions, the transport, health and retail sectors and the system of concessions.	<b>Limited progress:</b> <b>No progress</b> has been made with regard to the pending law on competition. The draft law was presented to Parliament in April 2015 and has not yet been approved by the Senate. <b>Limited progress</b> has been made in addressing remaining barriers to competition in regulated professions, the transport, health and retail sectors and the system of concessions. The code for public procurement and concessions was revised in 2016. No further measures were taken to remove remaining barriers to competition in the other sectors.

CYPRUS

2016	CSR1	SGP/MIP	Limited progress	<p>Following the correction of the excessive deficit, respect the medium-term budgetary objective in 2016 and in 2017. By the end of 2016, adopt a binding mechanism containing the growth rate of the compensation of public employees. By the end of 2016, adopt the horizontal reform of the public administration and the law on the governance of state-owned entities, and implement the reform of local governments. By the end of 2016, adopt the secondary legislation to complete the new budgetary framework.</p>	<p><b>Limited progress</b> in addressing CSR 1 despite the completion of the budgetary framework. Indeed, <b>Limited progress</b> has been made to adopt the draft bills regarding the wage bill while <b>No progress</b> was made concerning the public administration reform. <b>No progress</b> was made regarding the reform of state owned enterprises and local government, which related bills are still pending adoption by the House of Representatives. The assessment of compliance with the Stability and Growth Pact will be included in spring 2017, when final data for 2016 will be available. There has been <b>Limited progress</b> with regard to the binding mechanism containing the growth rate of the compensation of public employees. The mechanism has been introduced until 2018 in collective agreements with public sector unions. However, the legislative proposal to make this mechanism permanent has been rejected by the House of Representatives. There has been <b>No progress</b> with regard to the horizontal reform of the public administration. The draft laws have been rejected by the House of Representatives. There has been <b>No progress</b> with regard to the law on the governance of state-owned entities, and the reform of local governments. These reforms have not yet been adopted by the House of Representatives. There has been <b>Substantial progress</b> as the legislation to complete the new budgetary framework has been adopted by the House of Representatives but implementation steps are still missing for it to be effective.</p>
2016	CSR2	MIP	Limited progress	<p>By June 2017, eliminate impediments to the full implementation of the insolvency and foreclosure frameworks and ensure adequate resources for the Insolvency Service. Ensure reliable and swift systems for the issuance of title deeds and the transfer of immovable property rights. Increase the efficiency and capacity of the court system. Reform the civil procedure law.</p>	<p>Cyprus has made <b>Limited progress</b> with regard to CSR 2 on implementation of the insolvency and foreclosure frameworks and improving the title deeds issuance and transfer system. Some measures have been announced but remain to be adopted, while no full review of the insolvency and foreclosure frameworks, nor title deeds reform legislation have been tabled. There has been <b>Some progress</b> in eliminating barriers to fully implementing the insolvency and foreclosure frameworks and in ensuring adequate resources for the Insolvency Service. Necessary amendments to the legislation on insolvency have been identified but not yet drafted, and no timetable has been released for their submission to the House of Representatives. Rules of Court have been adopted for personal insolvency procedures and are being prepared for corporate insolvency procedures. The capacity of the Insolvency Service has been increased. The foreclosure infrastructure has been developed. There has been <b>Limited progress</b> on ensuring reliable and swift systems for issuing title deeds and transferring immovable property rights. Administrative and legislative measures have been taken to facilitate the issuance of title deeds, but no draft legislation for transfer of title deeds has been prepared due to the lack of understanding and agreement among stakeholders. There has been <b>Limited progress</b> on increasing the efficiency and capacity of the court system and</p>

					reforming the civil procedure law, as several reform initiatives have been announced but remain at a preliminary stage.
2016	CSR3	MIP	Some progress	By the end of 2016, take additional measures to ensure a decline in non-performing loans and accurate valuations of collateral for provisioning purposes. Increase the range of information available for creditors and enhance the information currently provided to make the credit registry fully effective.	There has been <b>Some progress</b> overall on CSR 3, regarding measures to ensure a decline in non-performing loans and increase the range of information available for creditors through the credit registry, which is now fully operational for loan origination purposes. There has been <b>Some progress</b> on taking measures to ensure a decline in non-performing loans and accurate valuations of collateral for provisioning purposes. In particular, due to increased loan restructuring efforts incentivised by Government and Central Bank of Cyprus measures, the stock of NPLs has started to decline, but remains at a very high level. Some steps were also taken to create a secondary market for loans although no transaction has taken place. There has been <b>Some progress</b> in increasing the range of information available for creditors through the credit registry, which is currently operational for loan origination purposes.
2016	CSR4	MIP	Some progress	Remove impediments to investment, in particular by implementing the action plan for growth, pursuing the privatisation plan and strengthening the national regulatory authorities. Take measures to increase access to finance for small and medium-sized enterprises.	Cyprus has made <b>Some progress</b> towards removing impediments to investment as it started implementing the action plan for growth and made some minor progress with regard to privatisation, while <b>Limited progress</b> was achieved concerning the facilitation of SME's access to finance. There has been <b>Some progress</b> in implementing the action plan for growth. However, many workstreams have yet to enter their implementation phase. There has been <b>Limited progress</b> in pursuing the privatisation plan. Draft bills aimed at launching the privatisation process of the Cyprus Telecommunications Authority (CyTA) were abandoned at the eve of the May 2016 general election, due to strong political opposition. Alternative proposals have not yet been formulated. Although minor privatisation projects still follow their course, budgetary funding for the privatisation unit has been cancelled. There has been <b>Some progress</b> in strengthening the national regulatory authorities, notably through the capacity increase of the energy regulator CERA. There has been <b>Limited progress</b> in increasing access to finance for SMEs, as most new initiatives from the authorities remain at a preliminary stage.
2016	CSR5	MIP	Limited progress	Enhance the capacity of the public employment services and their provision to the long-term unemployed; improve outreach to the non-registered unemployed. Adopt legislation for a hospital reform and advance with the planned implementation of universal health care coverage.	There has been <b>Limited progress</b> overall in addressing CSR 5. <b>Limited progress</b> has been made concerning the enhancement of the capacity of the public employment services. This is because the recruitment of additional counsellors has been continuously delayed and the plans for improving the service remain vague. <b>Some progress</b> has been made to reach out to the non-registered unemployed, especially young people, but the outcome of these initiatives in terms of outcomes is not yet known. There has been <b>Limited progress</b> in adopting legislation for a hospital reform and advancing with the planned implementation of universal healthcare coverage. Two bills for the creation of the National Health System and the autonomy of public hospitals were

					submitted to the House of Representatives, and are currently under discussion.
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## PORTUGAL

Year	CSR	Implementation assessment	Recommendation	Detailed assessment
2015	CSR1	Some progress	<p>Ensure a durable correction of the excessive deficit in 2015 by taking measures as necessary. Achieve a fiscal adjustment of 0.6% of GDP towards the medium-term objective in 2016.</p> <p>Enforce the commitment control law to better control expenditure. Improve the medium-term sustainability of the pension system. Safeguard the financial sustainability of state-owned enterprises. Further improve tax compliance and the efficiency of the tax administration.</p>	<p><b>Some progress</b> (this overall assessment of CSR 1 excludes an assessment of compliance with the Stability and Growth Pact): There has been <b>Some progress</b> on enforcing the commitment control law as arrears have continued to fall. In the health sector, however, underbudgeting by hospitals continues to prevent arrears from falling faster. There has been <b>Some progress</b> towards making the pension system more sustainable in the medium-term. In the short to medium term, public finances are under pressure as the current contributions to the public pension systems cover less than 75% of the pension-related expenditure. There has been <b>Limited progress</b> in developing new comprehensive measures as part of the ongoing pension reform. However, some previously decided measures are starting to have positive effects on medium and long-term sustainability such as the movable old-age pension that depends on life expectancy at the age of 65. The statutory retirement age, set at 66 in 2015, will now rise each year by 2/3 of the increase in life expectancy measured two years previously. The sustainability factor introduced in the calculation mechanism that determines the amount of early retirement pension entitlements has also started to contribute to medium- and long-term sustainability. The S1 indicator of fiscal sustainability reveals that there is a high risk in the medium term (6.4) relating mainly to the debt requirement. There has been <b>Some progress</b> concerning the financial sustainability of state-owned enterprises (SOEs). As a result of rationalisation measures and mergers between companies, the operating performance of SOEs has been improving. Equity operations carried out by the state have also strengthened several companies' financial position. Partial reversal of the privatisation of the air carrier TAP may imply additional fiscal risks. Cancelling the award of urban transport concessions in Lisbon and Porto will have an immediate fiscal impact during 2016, as the savings these concessions were supposed to deliver will not materialise. Political choices in the transport sector will need to go hand-in-hand with measures to ensure that these SOEs are financial sustainable. There has been <b>Some progress</b> on improving tax compliance and making the tax administration more efficient. The planned integration of local tax offices into the Aproximar programme is under way. Measures are being taken to combat tax fraud in the housing market, improve arrangements for sharing information with financial institutions, and strengthen Portugal's anti-money-laundering framework.</p>
2015	CSR2	Some progress	<p>Promote the alignment of wages and productivity, in consultation with the social partners and in accordance with national practices, taking into account differences in skills and local labour market conditions as well as divergences in economic performance across regions, sectors and companies. Ensure that developments relating to the minimum wage are consistent with the objectives of promoting employment and competitiveness.</p>	<p><b>Some progress:</b> <b>Some progress</b> on promoting the alignment of wages and productivity. The most recent data available show that wage developments have been moderate and in line with productivity over a medium-term horizon. Collective bargaining at sectoral level has been supportive of this process. However firm-level bargaining is not picking up, potentially limiting the scope for wage differentiation according to the dimensions mentioned in the CSR. <b>No progress</b> as regards the minimum wage. It was further increased in January 2016 from EUR 505 to EUR 530, in a context of low inflation and high unemployment, putting upward pressures on the overall wage structure with the risk of affecting employment and competitiveness perspectives.</p>
2015	CSR3	Some progress	<p>Improve the efficiency of public employment services, in particular by increasing outreach to non-registered young people. Ensure effective activation of benefit recipients and adequate coverage of the minimum income scheme.</p>	<p><b>Some progress:</b> <b>Some progress</b> has been made in increasing outreach to non-registered young people but challenges in its implementation still persist. A broad network of partners engaged in the implementation of the Young Guarantee has been set to reach out to young people aged under 30 and not in employment, education or training (NEET). Another positive step has been the creation of a Youth Guarantee online platform where NEETs can register. <b>Some progress</b> has been made in improving the efficiency of the public employment services through a reinforced performance management and an ongoing shift towards digital services. While partnerships with municipalities, training organisations and social economy actors are well developed, there has been <b>Limited progress</b> in binding partnerships with private employment services. The two pilot projects of partnership with private employment services in Lisbon and Porto have been delayed and a tender procedure has yet to be launched. There has been <b>Some progress</b> in ensuring adequate coverage of social assistance, in particular through the minimum</p>

				income scheme. There have been changes to the eligibility criteria of the minimum income scheme which may extend its coverage. Further measures in this area include an increase in child benefits, including for single parents households. No new specific measures have been taken on activation for minimum income scheme recipients.
2015	CSR4	Some progress	Take measures to reduce the corporate debt overhang, to address the corporate non-performing loans ratio in banks and to reduce the debt bias for corporates under tax provisions. Improve the efficiency of debt restructuring tools for viable companies by introducing incentives for banks and debtors to engage in restructuring processes at an early stage.	<b>Some progress:</b> <b>Some progress</b> has been made on reducing the corporate debt overhang and allowing the private sector to deleverage This includes the well advanced implementation of the corporate deleveraging strategy, which includes the revamping of the PER and SIREVE insolvency tools and changes in the tax treatment of debt financing. However, at close to 190% of GDP Portugal's private sector is one of the most highly indebted in the EU. Moreover, access to credit remains costly and difficult for businesses, in particular SMEs. Therefore, there is still the need to continue to pay attention to the problem of high indebtedness and to encourage the banking sector to raise capital in order to be able to clean its balance sheet from the high burden of corporate non-performing credit.
2016	CSR1	Limited progress	Ensure a durable correction of the excessive deficit, in accordance with the relevant decisions or recommendations under the excessive deficit procedure, by taking the necessary structural measures and by using all windfall gains for deficit and debt reduction. Thereafter, achieve an annual fiscal adjustment of at least 0,6 % of GDP. Conduct, by February 2017, a comprehensive expenditure review and strengthen expenditure control, cost effectiveness and adequate budgeting at all levels of public administration. Ensure the long-term sustainability of the health sector, without compromising access to primary healthcare. Reduce the reliance of the pension system on budgetary transfers. By the end of 2016, refocus ongoing restructuring plans of state-owned enterprises.	<b>Limited progress</b> (this excludes an assessment of compliance with the Stability and Growth Pact). The compliance assessment with the Stability and Growth Pact will be included in Spring when final data for 2016 will be available. <b>Some progress</b> in conducting a comprehensive expenditure review. The authorities have started a spending review exercise, mainly based on efficiency measures that involve the health and education ministries; state-owned enterprises and (centralised) public procurement and real estate management). This spending review still falls short of a comprehensive approach since its scope only covers the central government and focused on efficiency savings stemming from streamlining services. <b>Some progress</b> in ensuring the long-term sustainability of the healthcare sector. As Portugal is expected to have the highest increase in healthcare costs in the EU by 2060, more efforts for cost compression should be pursued including by integrating primary care, hospital services and continuous care. However, health care prevention and access to primary health care have been improved which will definitely help Portugal meet the long term challenges facing its health care sector, Nonetheless, the increase stock of arrears adds strain to the system's fiscal sustainability in the short-term. <b>Limited progress</b> in reducing the reliance of pension system on budgetary transfers. The draft budget for 2017 includes the earmarking of a new progressive tax on real estate portfolios (on top of the IMI) to the social security's Financial Stabilization Fund (worth EUR 160 million in 2017 according to the 2017 draft budgetary plan 2017). Although this earmarking is being presented by the government as an alternative to the excessive reliance on classical budgetary transfers, this does not address the expenditure side of the pension system sustainability. <b>No progress</b> in refocusing restructuring plans of state-owned enterprises. In terms of their operational performance state-owned enterprises fared well in 2016, as shown by their positive EBIDTA (earnings before interest, tax, depreciation and amortization). However, indebtedness remains very high resulting in persistent negative net income. The government so far has not presented any concrete measures to significantly restructure state-owned enterprises.
2016	CSR2	Limited progress	In consultation with social partners, ensure that the minimum wage is consistent with the objectives of promoting employment and competitiveness across sectors.	<b>Limited progress:</b> <b>Limited progress</b> in ensuring that the minimum wage is consistent with promotion of employment and competitiveness. The minimum wage was raised most recently in January 2017, from EUR 530 to EUR 557 i.e. above expected inflation and average productivity increases. While increasing aggregate demand and reducing in-work poverty, in a context of low inflation and high unemployment, continued increases in the minimum wage above productivity might put upward pressures on the overall wage structure, with the risk of affecting employment and competitiveness perspectives. The government established a structure to monitor the impact of minimum wage developments, through quarterly reports which are published and discussed with social partners.
2016	CSR3	Some progress	Ensure the effective activation of the long-term unemployed and improve the coordination between employment and social services. Strengthen incentives for firms to hire through permanent contracts.	<b>Some progress:</b> <b>Limited progress</b> in ensuring effective activation of long-term unemployed and in improving coordination between employment and social services. The rate of long-term unemployment remains one of the highest in the EU, despite active labour market measures targeted at long-term unemployed which have been developed in recent years. To address this, the government produced an assessment of active labour market policies. However, no specific measures targeted at integrating the long-term unemployed into the labour market have been adopted since then. The public employment service's planned increased use of online platforms instead of face-to-face-services should enable staff to focus on more personalised services for the long-term unemployed. As

				part of the ongoing administrative simplification process, one-stop shops for the long-term unemployed are being developed, although this initiative has not yet reached the implementation phase. <b>Some progress</b> in strengthening incentives for firms to hire through permanent contracts. The Government redesigned its employment support programme to promote hiring on open-ended contracts while restricting the financial support for temporary contracts to specific cases such as the very long-term unemployed. However, the expected impact of the new measure in reducing segmentation is limited in view of the low number of people to be covered.
2016	CSR4	Limited progress	Take measures, by October 2016, to facilitate the cleaning up of the balance sheets of credit institutions and address the high level of non-performing loans. Reduce the debt bias in corporate taxation and improve the access to finance for start-ups and small and medium-sized enterprises via the capital market.	<b>Limited progress:</b> <b>Limited progress</b> in facilitating the clean-up of credit institutions' balance sheets and addressing the high level of non-performing loans. By Resolution of the Council of Ministers N. 42/2016 of 18 August 2016, the government approved the Capitalizar Programme. Under the programme's "corporate restructuring" strand, the government intends to improve existing mechanisms for restructuring the balance of viable economic enterprises and the recovery of credits. The government is also taking action to revise its insolvency regime through the following: mechanisms to control the access to the PER (implementation period: first quarter of 2017); access of judicial administrators to the Citius dataset, the IT system to support the activities of the courts (fully implemented); the right of judicial administrators to directly access the various databases (implementation planned for the first quarter of 2017); creation of electronic certificates (expected to be implemented in the first quarter of 2017); possibility of exemption from holding a meeting of creditors; changes to the legal framework to the new registration rules on cross-border insolvencies and interconnection of registries. The tax law has been changed to remove disincentives to write-off. The central bank is conducting additional supervisory work, including by assessing banks' capability to manage non-performing loans, The central bank is also providing guidance to banks on how to screen different types of non-performing loans, and how to manage them. They are also considering an external servicing of loans, although the details have not been provided as to whether this would entail the creation of a market of distressed assets. Overall, a comprehensive strategy appears to be lacking. <b>Some progress</b> in reducing the debt bias in corporate taxation. The 2017 draft budgetary plan includes broadening the scope of the allowance for corporate equity (ACE) regime. The regime now applies to all companies (previously it applied only to small and medium-sized enterprises) and shareholders (not only individuals and venture capital investors). In addition, the allowance has been increased from 5 % during 4 years to 7 % during 6 years. <b>Limited progress</b> in improving the access to finance for start-ups and small and medium-sized enterprises via the capital market. Under the Capitalizar Programme, the government has put forward measures to ease businesses' financing needs. A new credit line with a mutual guarantee has been made available and will allow financing to companies of more than EUR 1 billion in financing for companies. In parallel, the government has put in place another programme (Programa Semente) to finance for start ups and small enterprises in their early stages (seed capital), helping them to raise equity finance by offering tax reliefs, for at least two years, to individual investors who purchase new shares in such companies, These programmes are expected to improve the financing of companies in Portugal, provided that they are swiftly and fully implemented.
2016	CSR5	Some progress	Increase transparency and efficiency in public procurement as regards public-private partnerships and concessions. By the end of 2016, improve and accelerate administrative and licensing procedures, accelerate tax litigations and reduce regulatory barriers, especially in business services. Incentivise cooperation between universities and the business sector.	<b>Some progress:</b> <b>Some progress</b> in increasing transparency in public procurement. Transparency and reliability of public procurement data is improving. The institute for Monitoring Public Procurement (IMPIC) is moving from a case by case approach on correcting data in BASE to a more systematic and automated system. Access to procurement data by control and prosecution authorities is not automatic, because of the legal framework on data protection, which hampers efficient checks and investigations. By Decree N. 18/2016, the government has established quarterly monitoring and reporting procedures related for local and regional public private partnerships and concessions. The use of direct awards remains high and there are weaknesses in the tender procedures due to: (i) insufficient justification underpinning the recourse to direct awards; (ii) splitting of contracts; (iii) lack of capacity and professionalization an (iv) limited checks. <b>Limited progress</b> in improving and accelerating licensing procedures by the end of 2016. The SIMPLEX + initiative includes some cross cutting simplification measures, yet to be implemented, but progress in enhancing the business environment has largely stalled in relation to sector specific regulation. <b>Some progress</b> in accelerating tax litigations by the end of 2016. The Tax Administration has drawn up a

				<p>multiannual plan to combat fraud, improve tax collection and simplify tax procedures. The 2017 draft budgetary plan introduced provisions for the tax authorities to: reduce response time for issuing binding rulings (Autoridade Tributária) to a maximum of 75 days in all urgent requests, significantly reduce the deadline for urgent requests; also, assess the possibility of reducing the costs of urgent binding ruling. Despite these efforts, the tax courts' clearance rate remains low. <b>Limited progress</b> in reducing regulatory barriers especially in business services by the end of 2016. Previous reform efforts targeting the most restrictive business services, including regulated professions, were halted and, in some cases, reversed. Restrictions on corporate groups for professional firms and restrictive regulation of legal professions (legal form, shareholding, management, multidisciplinary, advertising restrictions) set to remain in place. <b>Some progress</b> in incentivising cooperation between universities and the business sector. New initiatives announced include the creation of collaborative laboratories, technological centres for engineering activities and new business innovation contracts. The government is currently preparing a revision of the Higher Education system. The new programme to modernise and revamp polytechnic institutes focuses on matching both R&amp;D activities and dual VET programmes (CTeSPs) with regional needs. The Innovation Agency (ANI) is working to increase knowledge and collaborative innovation and has identified further potential players to bring into the innovation eco-system (including businesses and research organizations). It is also pushing for more collaboration as a priority for further action. However, there is no overall comprehensive strategy to foster cooperation between universities and the business sector: cooperation still relies mostly on isolated initiatives from specific universities or businesses.</p>
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