TABLE 2
Draft Country Specific Recommendations 2013
compared to the implementation of 2012 recommendations

The table presents:

- The **Country Specific Recommendations for 2012**, as adopted by the Council on 10 July 2012.
- **The assessment of the implementation of CSRs 2012** based on the **Commission Staff Working Papers**, as published on 29 May 2013
- The **Draft Country Specific Recommendations for 2013**, as proposed by the Commission on 29 May 2013

In addition to the country specific recommendations the table includes **the common recommendation for the economic policies of the Member States whose currency is the euro**.

The recital of the CSR specifies whether a specific **recommendation is linked to a particular EU policy instrument**:

- The first CSR generally refers to **fiscal policies** could therefore trigger further procedural steps either under the preventive arm or the corrective arm of the Stability and Growth Pact (in accordance with Regulation 1466/97 as amended, Regulation 1467/97 as amended, and Regulation 1173/2011).
- Some CSRs may refer to **policies relevant for correcting macro-economic imbalances** and could therefore trigger further procedural steps the Macro-Economic Imbalances Procedure (in accordance with Regulation 1176/2011 and Regulation 1174/2011). The table indicates which recommendations, if any, refer to such a case.
- Other CSRs may refer to policies relevant to achieve **other major economic policy objectives**, such as growth enhancing structural reforms, employment and social aspects and/or financial market stability (in accordance with the integrated guidelines adopted under Articles 121(2), 136 and 148(4)of the Treaty on the Functioning of the European Union).

Click here direct access to: BE, BG, CZ, DK, DE, EE, IE, EL, ES, FR, IT, CY, LV, LT, LU, HU, MT, NL, AT, PL, PT, RO, SI, SK, FI, SE, UK, Euro Area

BE	Country Specific Recommendations 2012 MIP: 1, 4, 5, 6	Assessment of implementation of CSR 2012 (based on COM staff documents)	Draft Country Specific Recommendations 2013 MIP: 1, 2, 3, 4, 5
	1. Implement the budget for the year 2012 to make sure that the **excessive deficit is corrected by 2012.** Additionally, specify the measures necessary to ensure implementation of the budgetary strategy for the year 2013 and beyond, thereby ensuring that the excessive deficit is corrected in a durable manner and that **sufficient progress is made towards the MTO**, including meeting the expenditure benchmark, and ensure progress towards compliance with the debt reduction benchmark. Adjust the fiscal framework to ensure that the budgetary targets are binding at federal and sub-federal levels, **and increase transparency of burden-sharing and accountability across government layers**.	**Partial implementation / Limited progress** Belgium did not correct its excessive deficit by the 2012 deadline. This was partly due to the urgent need to recapitalise the Banking Group Dexia at the end of 2012. However, even without this operation the deadline would have been missed. The average annual fiscal effort is estimated at 0.3% of GDP, significantly below the ¾ % of GDP recommended by the Council. In 2013, the deficit is expected to decrease to 2.9% of GDP. It is projected to rise again in 2014 (to 3.1 %). Hence the correction is not yet sustainable. No progress has been made on the fiscal framework. A revision of the Law on the financing of regions and communities is under way, but this will not alter the current ad hoc effort-sharing of budgetary targets.	**1.** Adopt additional measures to achieve the structural adjustment effort specified in the Council Decision to give notice to correct the **excessive deficit by 2013** and to enhance the sustainability and credibility of the consolidation. A durable correction of the fiscal imbalances requires the credible implementation of ambitious structural reforms which would increase the adjustment capacity and boost potential growth. After the correction of the excessive deficit, **pursue the structural adjustment at an appropriate pace so as to reach the medium-term objective by 2016** and ensure that the high debt ratio is put on a firm downward path. To this end, present growth friendly structural measures for 2014 by 15 October 2013 which ensure a sustainable correction of the excessive deficit and sufficient progress towards its medium-term objective. Ensure that the adjustment path is balanced over time or even front-loaded. **Adopt explicit coordination arrangements to ensure that budgetary targets are binding at federal level and sub-federal levels** within a medium-term planning perspective including through the prompt adoption of a rule on the general government budget balance/surplus that complies with the requirements of the TSCG and to increase the **transparency of burden sharing and accountability across government layers**.
	2. Continue to improve **the long-term sustainability of public finances** by curbing age-related expenditure, including health expenditure. In particular, implement the	**Partial implementation/Some progress** The reform of the old-age social security system is well under way and the bulk of the measures has either been legally adopted or is on schedule. First	**2.** Step up efforts to close the gap between the effective and statutory retirement age, including by quickly phasing out early-exit systems. Underpin reforms of the old-age social security

	reform of pre- retirement and pension schemes and take further steps to ensure an increase in the effective retirement age, including through linking the statutory retirement age to life expectancy.	projections underline the positive impact of the reforms enacted. Nevertheless, given the magnitude of the challenge, Belgium is still likely to fall short of the elderly employment objective it set for itself if no additional measures are taken. In addition, the positive contribution of the enacted reforms to the long-term sustainability of public finances is likely to be partially offset by lower growth as a result of the crisis. Current plans to transfer competencies in the field of long-term care (e.g. residential elderly care homes) from the federal level to communities may, at least partially, address the inefficiency issues raised by administrative complexity. No measures have been taken to link the statutory retirement age to life expectancy.	systems with employment-support measures and **labour-market reforms conducive to active ageing**. Accelerate the adoption of a decision to link the statutory retirement age to life expectancy. Continue to improve the cost-efficiency of public spending on long term institutional care.
	3. Stimulate capital increase of the weakest banks to underpin the strength of the **banking sector** so that it can play its normal role in lending to the economy.	**Full implementation** - Dexia was recapitalised by the Belgian and French state at the end of 2012. - KBC increased its capital and reimbursed state aid ahead of schedule. - Belfius is 100 % state-owned and is currently adequately capitalised. - Other big Belgian banks (ING, BNP Paribas) are part of bigger, international banking groups.	
	4. To boost job creation and competitiveness, take steps to reform, in consultation with the social partners and in accordance with national practice, the **system of wage bargaining and wage indexation**. As a first step, ensure that wage growth better reflects developments in labour productivity and competitiveness, by (i) ensuring the implementation of *ex post* correction mechanisms foreseen in the 'wage norm' and promoting all-in agreements to improve cost-competitiveness and (ii) facilitating the use of opt-out clauses from sectoral collective	**Partial implementation / Limited progress** To restore the losses in cost-competitiveness incurred in past years, the Belgian authorities have (a) taken measures to curb inflationary pressures in several key markets and (b) started to implement various reforms to bring down the accumulated wage gap vis-à-vis neighbouring countries by 2018. Although overall inflation has been declining and is projected to remain low throughout 2013, it is unclear if the initiated trend can be sustained over the longer run.	**3.** To restore competitiveness, pursue the on-going efforts to reform **the wage setting system, including wage indexation**; in particular, by taking structural measures, in consultation with the social partners and in accordance with national practice, to ensure that wage setting is responsive to productivity developments, reflects local differences in productivity and labour market conditions, and provides automatic corrections when wage evolution undermines cost-competitiveness

	agreements to better align wage growth and labour productivity developments at local level.	With regard to the wage gap relative to trading partners, so far the Belgian authorities have focused their reform efforts on remedial measures. No measures have been taken to facilitate the use of opt-out clauses and/or to ensure better alignment between wage and productivity evolutions at sectorial level.	
	5. Significantly shift taxes from labour to less growth-distortive taxes including for example environmental taxes. Pursue the initiated reform of the unemployment benefit system to reduce disincentives to work and strengthen the focus of employment support and activation policies on older workers and vulnerable groups, in particular people with a migrant background. Take advantage of the planned further regionalisation of **labour market** competencies to boost interregional labour mobility and to strengthen the coherence between education, lifelong learning, vocational training and employment policies. Extend existing activation efforts to all age groups.	**Partial implementation / Some progress** No major shift of labour taxes to less growth distortive taxes. The reform of the unemployment benefit system accelerates the gradual decrease of the unemployment allowance and ensures that it applies to all beneficiaries. The efforts to increase the traineeship and lifelong learning capacity are positive developments but a more fundamental reflection on the fit between the educational system and the labour market is required as well as on the effective results of adult training in terms of skills acquired. Concerning labour mobility, there is room for more ambitious target setting and financial investment. The age ceiling below which the unemployed are actively followed up has been raised to 55 in all regions. A further increase to 58 is due by 2016.	**5.** Establish concrete and time-specific proposals **for shifting taxes from labour** to less growth-distortive tax bases, notably by exploring the potential of environmental taxes, for example on diesel, heating fuels and the taxation of the private use of company cars. Simplify the tax system by reducing tax expenditures in income taxation, increasing VAT efficiency and improving tax compliance by closing existing loopholes. **6.** Further **reduce disincentives to work** by ensuring effective enforcement of job-search requirements and personalised job search assistance for all unemployed. Take measures to increase interregional labour mobility. Simplify and reinforce coherence between employment incentives, activation policies, labour matching, education, lifelong learning and vocational training policies for older people and youth. Develop comprehensive social-inclusion strategies for people with a migrant background.
	6. Continue to **strengthen competition** in the retail sector by lowering barriers and reducing operational restrictions. Introduce measures to strengthen competition in the network industries by revising regulatory barriers and reinforcing the institutional arrangements for effective enforcement of state aid rules.	**Partial implementation / Limited progress** - Retail: All three regions are considering new legislation on the opening of large retail establishments. However, the transfer of competence from the federal to the regional level will probably not be finalised before 2014. A new competition law is currently under discussion in Parliament which gives more power to the Competition Authority (Conseil de	**4.** Present concrete and time-specific structural measures to **improve competition** in the services sector, by removing barriers in retail and excessive restrictions in professional services and improve the provision of mobile broadband. Continue to improve the functioning of the energy sector by reducing distribution costs and monitoring retail costs, strengthen the independence of the regulators in the energy, telecoms and the transport sectors (railway,

		Concurrence) and reinforces the role of the Price Observatory in monitoring unwarranted price increases.	airport, ports, road transport). Remove remaining regulatory barriers in the postal sector.
	7. Take further measures to enhance the progress towards reaching the targets for **reducing greenhouse gas emissions** from non-ETS activities, in particular by ensuring a significant contribution to this goal from transport.	**No implementation / No progress achieved** Belgian emissions projections remain well above the target. There appears to be no clear agreement on how to work towards the non-ETS activity greenhouse gas targets. No significant new initiatives have been put forward to make public transport more efficient and further reduce greenhouse gas emissions from transport.	**7.** Take concrete measures and agree a clear division of tasks between the federal and regional authorities to ensure progress towards reaching the targets for r**educing greenhouse gas emissions** from non-ETS activities, in particular from transport and buildings

BG	Country Specific Recommendations 2012 **MIP: 3, 5**	Assessment of implementation of CSR 2012 (based on COM staff documents)	Draft Country Specific Recommendations 2013 **MIP: 3, 4, 5**
	1. Continue with sound **fiscal policies to achieve the MTO by 2012.** To this end, implement the budgetary strategy as envisaged, ensuring compliance with the expenditure benchmark, and stand ready to take additional measures in case risks to the budgetary scenario materialise. Strengthen efforts to enhance the quality of public spending, particularly in the education and health sectors and implement a **comprehensive tax-compliance strategy** to further improve tax revenue and address the shadow economy. Further improve the contents of the **medium-term budgetary framework** and the quality of the reporting system.	**Substantial progress** Public finances have remained strong in spite of the relatively slow economic recovery and preliminary estimates indicate that the MTO was achieved in 2012. The recently adopted new public finance law further aligns the legislation with the Fiscal Compact and Directive 2011/85/EU on minimum national budgetary requirements. Bulgaria implemented measures to increase tax-compliance and address the shadow economy, but still lacks a comprehensive strategy. Further efforts to put in place a coherent strategy for the health system will be needed.	**1.** Preserve a sound fiscal position by **ensuring compliance with the medium-term objective** and pursue a growth-friendly fiscal policy as envisaged in the convergence programme. Implement a comprehensive tax strategy to **strengthen all aspects of the tax law and collection procedures** with a view to increase revenue, notably by improving tax collection, tackling the shadow economy and reducing compliance costs. Establish an **independent institution to monitor fiscal policy** and provide analysis and advice.
	2. Take further steps to reduce risks to the sustainability and to improve adequacy of the **pension system** by making the statutory retirement age the same for men and women with full career contributions. Introduce stricter criteria and controls for the allocation of invalidity pensions.	**Some progress** Steps have been taken in the right direction but further measures are needed to guarantee the adequacy of the pension system, especially by increasing the number of contributors, discouraging early exit and avoiding abuses of the invalidity pension system.	**2.** Phase out early **retirement options**, introduce the same statutory retirement age for men and women and implement active labour market policies that enable older workers to stay longer in the labour market. Tighten the eligibility criteria and controls for the allocation of invalidity pensions to effectively limit abuse
	3. Accelerate the implementation of the national **Youth Employment Initiative**. Ensure that the minimum thresholds for social security contributions do not discourage declared work. Step up efforts to improve the Public Employment Service's performance. To **alleviate poverty**, improve the effectiveness of social transfers and the access to quality social services for children and the elderly and implement the National Roma Integration Strategy.	**Limited progress** Comprehensive measures to improve youth employment and fight poverty and social exclusion are lacking. The strategy on reducing poverty is in the early stages of implementation; an assessment is not feasible at this stage. The National Roma Integration Strategy lacks an appropriate budget and an action plan. The government kept the minimum thresholds unchanged in 2013 for those professions where employers and employees could not reach an agreement, but a review of the system has not	**3.** Accelerate the national **Youth Employment Initiative**, for example through a Youth Guarantee. Reform the Employment Agency with a view to providing effective counselling to jobseekers and develop capacity for forecasting and matching skill needs. Enhance active labour-market policies, in particular concerning national employment schemes. Undertake a review of the minimum thresholds for social security contributions to ensure that the system does not price the low-skilled out of the labour market. Ensure concrete delivery of the National **Strategies on Poverty** and Roma integration.

		yet been launched.	Improve the accessibility and effectiveness of social transfers and services, in particular for children and older people.
	4. Speed up the reform of relevant legal acts on **schools and higher education** and of accompanying measures by focusing on modernising curricula, improving teacher training, and ensuring effective access to education for disadvantaged groups. Improve the **access to finance for start-ups and SMEs**, in particular those involved in innovative activities.	**Limited progress** The new Law on Pre-School and School Education has still not been adopted. The complete package of modernised curricula for general education has been finalised. There are no longer plans to further amend the Law on Higher Education. ESF-funded projects on teacher training and ensuring effective access for disadvantaged people are ongoing. Investments in seed capital and support for early start-up and innovative companies remain very low and there is a risk of losing EU funds already in 2013.	**4.** Adopt the School Education Act and pursue the **reform of higher education**, in particular through better aligning outcomes to labour-market needs and strengthening cooperation between education, research and business. Improve access to inclusive education for disadvantaged children, in particular Roma. Ensure effective access to healthcare and improve the pricing of healthcare services by linking hospitals' financing to outcomes and developing out-patient care
	5. Step up efforts to **enhance administrative capacity** and reforms by reducing red tape and the cost of tax compliance and collection, and further improving the **absorption of EU funds**, in particular in road and rail transport and water management. Improve the quality and independence of the judicial system and speed up the introduction of e- government. Strengthen public administrative capacity in key transport sectors and regulatory authorities.	**Some progress** Measures to reduce red tape and the cost of tax compliance are steps in the right direction; however, their impact on businesses remains to be seen. Lack of expertise and coordination between relevant entities, and a lack of appropriate broadband infrastructure threaten the implementation of e-government. The use of EU structural funds remains low (30%) despite progress over recent years. The key to achieving progress on judicial reform is to deliver on the recommendations under the Cooperation and Verification Mechanism.	**5.** Take further steps to **improve the business environment**, by cutting red tape, implementing an e-government strategy and implementing the legislation on late payments. Improve the quality and independence of the judicial system and fight corruption more effectively. **Improve the access to finance for SMEs and start-ups**.
	6. Ensure sound implementation of **public procurement legislation.** Strengthen the prevention of irregularities and effectively apply the sanctions under the Public Procurement Law and those of the Law on Conflict of Interest.	**Some progress** The new rules for ex-post control contributed to increasing the effectiveness of controls and the number of the sanctions applied. This trend needs to be confirmed. Although new rules on ex ante control of EU financed projects have been put forward by the authorities, further strengthening of these preventive measures is needed. Delays in the	**6.** Accelerate the **absorption of EU funds**. Ensure sound implementation of **public-procurement** legislation by extending ex-ante control by the Public Procurement Agency to prevent irregularities.

		treatment of appeals related to public procurement considerably affect the implementation of Structural and Investment Funds.	
	7. Take measures to **remove market barriers**, guaranteed profit arrangements and price controls. Ensure the independence of transmission and distribution system operators; complete the market design in particular for the energy exchanges and balancing markets. Improve electricity and gas connections, boost energy efficiency and enhance the capacity to cope with disruptions.	**Limited progress** The independence of the energy regulator was put in doubt by recent developments. The new Energy Law sets out rules for unbundling in the energy sector, but transmission system operators have not yet been certified. Progress on market design, retail markets, energy exchange and balancing markets remains very limited and there is partial progress on energy efficiency, and electricity and gas connections.	**7.** Strengthen the independence of national regulatory authorities and the administrative capacity in particular in the energy and transport sectors, as well as for waste and water management**. Remove market barriers**, quotas, territorial restrictions and regulated prices and complete the market design by setting up a transparent wholesale market for electricity and natural gas. Accelerate electricity and gas interconnector projects and enhance the capacity to cope with disruptions. Step up efforts to improve energy efficiency.

CZ	Country Specific Recommendations 2012	Assessment of implementation of CSR 2012 (based on COM staff documents)	Draft Country Specific Recommendations 2013
	1. Ensure planned progress towards the **timely correction of the excessive deficit**. To this end, fully implement the 2012 budget and specify measures of a durable nature necessary for the year 2013 so as to achieve the annual average structural adjustment specified in the Council recommendation under the excessive deficit procedure. Thereafter, ensure an **adequate structural adjustment effort to make sufficient progress towards the MTO**, including meeting the expenditure benchmark. In this context, avoid across-the- board cuts, safeguard growth-enhancing expenditure and step up efforts to improve the efficiency of public spending. Exploit the available space for increases in taxes least detrimental to growth. **Shift the high level of taxation on labour to housing and environmental taxation**. Reduce the discrepancies in the tax treatment of employees and the self-employed. Take measures to improve tax collection, reduce tax evasion and improve tax compliance, including by implementing the **Single Collection Point for all taxes**.	**Some progress** The general government deficit target of 2.9% of GDP in 2013 is in line with the deadline for correcting the excessive deficit. The 2013 spring forecast projects a headline deficit of 2.9% of GDP in 2013. The average annual fiscal effort of 1.4% of GDP over the period 2010-2013, based on the (recalculated) structural budget balance, is above the effort of 1 % of GDP recommended by the Council. Some progress was made on decreasing the size of across-the-board cuts and of cuts in growth enhancing expenditure. Some progress on taxation. A package of tax measures adopted in December 2012 increased indirect taxes and property taxation and reduced limits on deductible expenses for the self-employed. No measures on environmental taxation and recurrent real estate taxes were adopted and current plans are likely to be delayed. Limited progress on tax collection and compliance. Measures were adopted to limit VAT fraud and the introduction of a single collection point for income taxes is envisaged for 2015.	**1.** Implement as envisaged the budget for the year 2013 so as to **correct the excessive deficit in 2013** in a sustainable manner and achieve the structural adjustment effort specified in the Council recommendations under the EDP. For the year 2014 and beyond, reinforce and rigorously implement the budgetary strategy, supported by sufficiently specified measures, to ensure an adequate fiscal effort to **make sufficient progress towards the medium-term objective**. Prioritise growth-enhancing expenditure including **committing on time remaining projects co-financed with EU funds** under the current financial framework.
			2. Reduce the high level of **taxation on labour** by shifting taxation to areas less detrimental to growth, such as recurrent taxes on housing and vehicle circulation taxes. Further reduce discrepancies in the tax treatment of employees and the self-employed. Improve tax compliance and reduce compliance costs by establishing the

			Single Collection Point and harmonising the tax bases for personal income tax and social and health contributions
	2. Introduce further changes to the **public pension scheme** to ensure its long-term sustainability. Reconsider plans to allow an earlier exit from the labour market. Promote effective participation of younger workers in the envisaged funded scheme to improve adequacy of pensions.	**No progress** No progress made on pension system sustainability. As part of the consolidation package, indexation of pensions was lowered. The Czech Republic introduced an early retirement scheme, which goes against policies to extend working lives. Participation in the newly launched fully funded pillar is below expectations. The pillar has still to prove its viability.	**3.** Speed up the increase of the **statutory retirement** age compared to current legislation, introduce a clear link between the statutory retirement age and life expectancy, and revise the indexation mechanism. Accompany the increase in retirement age with measures promoting employability of older workers and reduce early exit pathways. In particular, remove the public subsidy for the pre-retirement scheme. Take measures to significantly improve cost-effectiveness of healthcare expenditure, in particular for hospital care
	3. Take additional measures to significantly increase the availability of affordable and quality **pre-school childcare**.	**Limited progress** The draft law on pre-school childcare is to be adopted by the government in 2013. The law facilitates the provision of private childcare and introduces tax incentives for companies and families. Broader provision, affordability and adequate quality of the new facilities may not be ensured.	**4.** Take measures to strengthen the efficiency and effectiveness of the public employment service. Increase significantly the availability of **inclusive childcare facilities with a focus on children up to three years old, and the participation of Roma children**, notably by adopting and implementing the law on private childcare facilities and strengthening the capacities of public childcare facilities.
	4. Strengthen **PES** by increasing the quality and effectiveness of training, job search assistance and individualised services, including of outsourced services.	**Some progress** The reform of the public employment service was adopted in 2011 and implemented throughout 2012, the effects of which should materialise in the medium term. Additional support is also being granted from various European Social Fund projects. The outsourcing of employment services should be revised in 2014.	
	5. Adopt and implement as a matter of urgency the Public Servants Act to promote **stability and effectiveness of the public administration** in avoiding irregularities. Ensure adequate implementation of the new Public Procurement Act. Address the issue of anonymous share	**Some progress** Limited progress fighting corruption. Key measures from the 2011-12 anti-corruption strategy not adopted. Plans retained with delay in implementation in the 2013-14 strategy.	**5.** Ensure implementation of the **anti-corruption strategy** for 2013-2014. Adopt a Public Servants Act that should ensure a **stable, efficient and professional state administration service**. Improve the management of EU funds in view of the 2014-2020 programming period. Strengthen

	holding. Ensure correct implementation of EU Funds and step up the **fight against corruption**.	Limited progress on the Public Servants Act: a new proposal from April 2013 retains important weaknesses. Substantial progress in implementation of the Public Procurement Act Substantial progress in addressing anonymous shares issue: An act regulating anonymous shares from 2014 was approved by parliament in May 2013. Some progress on EU funds implementation. Implementation of an action plan on EU funds control system agreed with the Commission.	the capacity for implementation of public tenders at local and regional level.
	6. Adopt the necessary legislation to establish a transparent and clearly defined system for **quality evaluation of higher education** and research institutions. Ensure that the funding is sustainable and linked to the outcome of the quality assessment. Establish an improvement-oriented evaluation framework in compulsory education.	**Limited progress** The system for evaluating the quality of higher education institutions has changed only marginally over the reporting period. Further progress is expected from the implementation of the higher education reform, which is planned to be adopted in 2013. The link between quality and funding was strengthened somewhat in 2013 but no further steps are envisaged in the near future.	**6.** Establish a comprehensive evaluation framework in **compulsory education** and take targeted measures to support schools that rank low in educational outcomes. Adopt measures to enhance accreditation and funding of **higher education**. Increase the share of performance-based funding of research institutions.

DK	Country Specific Recommendations 2012 **MIP: 3, 4, 5**	Assessment of implementation of CSR 2012 (based on COM staff documents)	Draft Country Specific Recommendations 2013 **MIP: 3**
	1. Implement the budgetary strategy as envisaged, to ensure a **correction of the excessive deficit by 2013** and achieve the annual average structural adjustment effort specified in the Council recommendations under the EDP. Thereafter, ensure an adequate structural adjustment effort to make **sufficient progress towards the MTO**, including meeting the expenditure benchmark.	**Significant progress** The 2013 budget aims to achieve a budget deficit of 2½ % in 2013 and 2¾ % in 2014. 2020 plan includes MTO of max. 0.5 % structural deficit by 2020. Budget law implements provisions of fiscal compact and sets expenditure ceiling at the central, municipal and regional level.	**1.** Implement the budgetary strategy in 2013 as envisaged, so as to ensure the **correction of the excessive deficit by 2013**. Furthermore, implement the budgetary strategy for 2014 and beyond to ensure an a**dequate fiscal effort to remain at the medium-term objective**.
	2. Take further steps to enhance long-term labour supply by reforming the disability **pension**, better targeting **subsidised employment schemes** (the 'flex-job' system) towards people with reduced work capacity, and improving the employability of people with a migrant background.	**Significant progress** Tax reform from spring 2012 lowers taxes on earned income. Reform of disability pension and the 'flex-job' system by creating rehabilitation teams and setting the minimum age of 40 to access the disability pension and 'flex-job' scheme. 'Acute package' aims to create job opportunities for the long-term unemployed. Reform of the social assistance scheme [also under CSR3] proposed by the government.	
	3. Implement announced measures, without delay, to improve the cost-effectiveness of the **education system**, reduce drop- out rates, in particular within vocational education, and increase the number of apprenticeships.	**Some progress** The 2013 budget provides additional DKK 2.9 billion [€ 0.4 billion] for education and vocational training. An expert committee is working on proposals (planned for spring 2013) to strengthen the quality of youth vocational education, create additional apprenticeships and provide a well-functioning youth education guarantee.	**2.** Take further steps **to** improve the employability of people at the margins of the labour market, including people with a migrant background, the long-term unemployed and low-skilled workers. **Improve the quality of vocational training** to reduce drop-out rates and increase the number of apprenticeships. Implement the **reform of primary and lower secondary education** in order to raise attainment levels and improve the cost-effectiveness of the education system
	4. Continue efforts to remove **obstacles to competition**, in particular in local services, the retail and construction sector, including by	**Some progress** A Productivity Commission has been appointed	**3.** Continue efforts to remove **obstacles to competition** in the services sector including in the retail and construction sectors and enhance

	further opening the municipal and regional procurement of services to competition and ensuring that competition law sanctions have a sufficiently deterrent effect.	with the task of advising the government by the end of 2013 on ways to increase competitiveness. The government has updated the Competition act the Danish law on opening hours expired and shop owners can open shops when they want. However, some restrictions remain in retail services sector.	effectiveness in the provision of public services.
	5. Consider further preventive measures to strengthen the stability of the **housing market** and financial system in the medium term, including by taking account of the results of the ongoing study by the Ministry of Business and Growth on the distribution of assets and liabilities across households and by reviewing the property value tax system and the municipal land value tax system.	**Some progress** The government has implemented a 'traffic light' labelling scheme that labels mortgage loans according to their riskiness. The government had formalised already existing requirements for borrowers to be allowed to take up variable rate and deferred-instalment loans, only if they can afford fixed interest rate and repayment loans. Although cadastral values continue to be updated every two years to reflect market values, the property value tax has been frozen in nominal terms since 2002. The government has signalled no intention to review the property value tax system.	

DE	Country Specific Recommendations 2012	Assessment of implementation of CSR 2012 (based on COM staff documents)	Draft Country Specific Recommendations 2013
	1. Continue with sound fiscal policies **to achieve the MTO by 2012**. To this end, implement the budgetary strategy as envisaged, ensuring compliance with the expenditure benchmark as well as sufficient progress towards compliance with the debt reduction benchmark. Continue the growth-friendly consolidation course through additional efforts to enhance the efficiency of public spending on healthcare and long-term care, and by using untapped potential to improve the efficiency of the tax system; use available scope for increased and more efficient growth-enhancing spending on education and research at all levels of government. Complete the **implementation of the debt brake in a consistent manner across all *Länder***, ensuring timely and relevant monitoring procedures and correction mechanisms.	**Significant progress** in achieving fiscal targets and implementing the budgetary strategy as envisaged. The general government budget produced a small surplus and the MTO was met in 2012. **Limited progress** in further enhancing the efficiency of public spending on healthcare and long-term care and of the tax system. Germany appears to be well on track with respect to the national target on education and research expenditure, but may consider more ambitious follow-up targets. **Limited progress** in the implementation of the constitutional debt brake at Länder level, in particular with respect to specifying implementing rules.	**1.** Preserve a sound fiscal position as envisaged which **ensures compliance with the medium-term objective over the programme horizon**. Pursue a growth-friendly fiscal policy through additional efforts to enhance the cost-effectiveness of public spending on healthcare and long-term through better integration of care delivery and a stronger focus on prevention and rehabilitation and independent living**. Improve the efficiency of the tax system**, in particular by broadening the VAT base and by reassessing the municipal real estate tax base; use the available scope for increased and more efficient growth-enhancing spending on education and research at all levels of government. Complete the **implementation of the debt brake in a consistent manner across all Länder**, ensuring that monitoring procedures and correction mechanisms are timely and relevant.
	2. Address the remaining structural weaknesses in the **financial sector**, *inter alia* by further restructuring of those *Landesbanken* which are in need of an adequately funded viable business model while avoiding excessive deleveraging.	**Significant progress** in strengthening the regulatory and supervisory framework in the financial sector. **Progress** in restructuring of Landesbanken based on Commission state aid decisions.	
	3. Reduce the high tax wedge in a budgetary neutral way, in particular for low-wage earners, and maintain appropriate activation and integration measures, in particular for the long-term unemployed. Create the conditions for wages to grow in line with productivity. Take measures to raise the educational achievement of disadvantaged groups, in particular through ensuring equal opportunities in the education and training system. Phase out the fiscal disincentives for second earners, and increase	**Limited progress** to reduce the high tax wedge. Insufficient progress on integrating the long-term unemployed into the labour market. **Significant progress** in wage growth. **Insufficient progress** in raising the educational achievement of disadvantaged groups. **No progress** on phasing out fiscal disincentives for second earners. **Progress** in increasing the availability of full-time	**2.** Sustain conditions that **enable wage growth** to support domestic demand. To this purpose, **reduce high taxes** and social security contributions, especially for low-wage earners and raise the educational achievement of disadvantaged people. Maintain appropriate activation and integration measures, especially for the long-term unemployed. Facilitate the transition from non-standard employment such as mini-jobs into more sustainable forms of employment. Take measures to improve

	the availability of fulltime **childcare facilities** and all-day schools.	childcare facilities is insufficient to meet the estimated needs. Progress regarding the availability of all-day schools remains limited.	incentives to work and the employability of workers, in particular for second earners and low-skilled, also with a view to improving their income. To this end, remove disincentives for second earners and increase the availability of fulltime **childcare facilities** and all-day schools
	4. Continue efforts to keep the overall economic costs of transforming the **energy** system to a minimum, including by accelerating the expansion of the national and cross-border electricity and gas networks. Ensure that the institutional set-up guarantees effective **competition** in railway markets. Take measures to further stimulate competition in the services sectors, including professional services and certain crafts, in particular in the construction sector.	**Insufficient progress** in minimising the costs of transforming the energy system. **Some progress** in setting the conditions for accelerating the expansion of the networks. **Limited progress** in ensuring competition in the railway markets. **Limited progress** in stimulating competition in the service sectors.	**3.** Improve the coordination of the **energy policy** with neighbouring countries and keep the overall costs of transforming the energy system to a minimum, in particular by reviewing the cost-effectiveness of energy policy instruments designed to achieve the renewable energy targets and by continuing efforts to accelerate the expansion of the national and cross-border electricity and gas networks. **4.** Take measures to further stimulate **competition in the services sectors**, including certain crafts — in the construction sector in particular — and professional services to boost domestic sources of growth. Take urgent action to significantly increase the value of **public contracts open to procurement**. Adopt and implement the announced legislative reform to improve the enforcement of competition law regarding competition restrictions. Remove planning restrictions which unduly restrict new entries in the retail sector. Take further measures to eliminate the remaining **barriers to competition** in the railway markets. Pursue efforts for consolidation in the banking sector, including by improving the governance framework.

EE	Country Specific Recommendations 2012	Assessment of implementation of CSR 2012 (based on COM staff documents)	Draft Country Specific Recommendations 2013
	1. Preserve a sound fiscal position by implementing budgetary plans as envisaged, **ensuring achievement of the MTO by 2013** at the latest, and compliance with the expenditure benchmark. Complement the planned budget rule with more binding multiannual expenditure rules within the medium-term budgetary framework, continue enhancing the efficiency of public spending and implementing measures to improve tax compliance.	Estonia has made **substantial progress** in implementing the budgetary plans mentioned in the CSR. However, **no progress** has been registered so far on the fiscal framework issue. The medium term objective was achieved in 2012, one year before the deadline. The temporary deviation from the MTO in 2013 is not significant and a structural surplus is forecast to be reached from 2014 onwards. The government is expected to fulfil its commitment under the Treaty on Stability Coordination and Governance and to adopt the structural budget balance rule in time. However, the authorities are not planning to introduce an expenditure rule. The government has taken steps to improve tax compliance.	**1.** Pursue a growth-friendly fiscal policy and **preserve a sound fiscal position** as envisaged, **ensuring compliance with the medium-term budgetary objective** over the programme horizon. Complement the planned budget rule with more binding multi-annual expenditure rules within the medium-term budgetary framework and continue enhancing the efficiency of public spending**.**
	2. Improve **incentives to work** by streamlining the social benefits system and increasing flexibility in the allocation of disability, unemployment and parental benefits, while ensuring adequate social protection. Improve delivery of social services, while better targeting family and parental benefits and removing distortionary income tax exemptions related to children. Increase the participation of the young and the long-term unemployed in the labour market.	**Limited progress** With the aim of increasing labour supply, it has reduced the unemployment insurance premium for both employers and employees from January 2013 and the personal and corporate income tax rates as of 2015. The government has also improved the targeting of family benefits in favour of families living in relative poverty. As current activation measures can only partly address the complex problems faced by the long-term and young unemployed, the activation level is still insufficient	**2.** Improve **incentives to work** by making the various existing social-benefit systems more consistent and by increasing the flexibility and targeting of benefit allocation. Improve the delivery of social services, including childcare, while increasing the efficiency and cost-effectiveness of family policy. Strengthen activation measures to facilitate the return to the labour market of the long-term unemployed and people receiving disability benefits and incapacity for work benefits. Establish a coordinated strategy for fostering economic development in regions affected by high unemployment.
	3. Link training and education more effectively to the needs of the labour market, and enhance cooperation between businesses and academia. Increase opportunities for low-skilled workers to improve their access to lifelong learning. Foster prioritisation and internationalisation of the research and	**Some progress** The government has initiated a process of addressing skills mismatches by setting up a skills taskforce and has started preparing the 2014-20 Lifelong Learning Strategy. Performance agreements have been signed	**3.** Continue efforts to improve the **labour-market relevance of education and training** systems, including by further involving social partners and implementing targeted measures to address youth unemployment. Significantly increase the participation of the low skilled in life-long learning. Intensify efforts to prioritise and

	innovation systems.	between the MoE and tertiary education institutions. Weak cooperation between business and universities remains the main issue in R&D, together with the internationalisation of the R&I system. Prioritisation is expected to be addressed in two new strategies which are due to be adopted in late spring 2013.	internationalise the research and innovation systems and enhance cooperation between businesses, higher education and research institutions.
	4. Improve energy efficiency, in particular in buildings and transport, and strengthen environmental incentives concerning vehicles and waste, including by considering incentives such as the taxation of vehicles. Foster renewable energy use, including through upgraded infrastructure and legislation. Continue the development of cross-border connections to end relative market isolation.	**Limited progress** The government has taken action to improve the energy efficiency and reduce the carbon intensity of government buildings. Limited action has been undertaken for nongovernment buildings despite the huge potential. In transport, measures undertaken so far (electromobility programme, energy-efficient public transport fleet) are relevant, but insufficient Some progress has been made in energy efficiency but it is difficult to evaluate whether the support instruments will be sufficient. Steps have been taken in the right direction for strengthening environmental incentives in the area of waste. Estonia has reached its interim target for 2011-12 for renewable energy consumption. Estonia would need to complete the second electricity interconnection with Finland, and diversify its natural gas supply with a regional LNG terminal in the Baltic States and a possible interconnection with Poland. The internal Baltic transmission grid should be strengthened for both electricity and gas to contribute to the security of supply and regional trade.	**4. Improve energy efficiency**, in particular in buildings and transport, and strengthen environmental incentives concerning vehicles and waste, through considering car taxation and/or higher excise duties on motor fuels. Step up the development of cross-border energy connections to diversify energy sources and promote competition in the energy market.
	5. Enhance **fiscal sustainability of municipalities** while improving efficiency of local governments and ensure effective service provision, notably through stronger incentives for the merger of or increased cooperation between municipalities. Relevant reform proposals should be put in place within a reasonable timeframe.	**Limited progress** Limited adjustments have been made to two Acts to facilitate voluntary mergers of municipalities, but cover neither local government revenue nor services, and their possible impact is likely to be small. With respect to services, an action plan is being prepared and pilot projects are ongoing,	**5.** Better balance **local government** revenue against devolved responsibilities. Improve the efficiency of local governments and ensure quality provision of local public services.

		while some clarity may soon be brought to respective responsibilities in the upper secondary education sector. Nevertheless, low accessibility and quality of services provided at local level remain a hindrance to the re-employment of the long-term unemployed.	

IE	Country Specific Recommendations 2012	Assessment of implementation of CSR 2012 (based on COM staff documents)	Draft Country Specific Recommendations 2013
	Implement the measures laid down in Implementing Decision 2011/77/EU and further specified in the Memorandum of Understanding of 16 December 2010 and its subsequent supplements.		To avoid duplication with measures set out in the Economic Adjustment Programme, there are no additional recommendations for Ireland.

EL	Country Specific Recommendations 2012	Assessment of implementation of CSR 2012 (based on COM staff documents)	Draft Country Specific Recommendations 2013
	Implement the measures laid down in Decision 2011/734/EU, as amended on 8 November 2011 and 13 March 2012, and the Memorandum of Understanding on Specific Economic Policy Conditionality, which was signed on 14 March 2012.		To avoid duplication with measures set out in the Economic Adjustment Programme, there are no additional recommendations for Greece.

ES	Country Specific Recommendations 2012 **MIP: 1, 3, 4, 5, 8**	Assessment of implementation of CSR 2012 (based on COM staff documents)	Draft Country Specific Recommendations 2013 **MIP: 1, 2, 3, 4, 5, 7, 8, 9**
	1. Deliver an annual **average structural fiscal effort of above 1,5 % of GDP over the period 2010-13** as required by the Council recommendation under the EDP by implementing the measures adopted in the 2012 budget and adopting the announced multiannual budget plan for 2013-14 by end July 2012. Adopt and implement measures at regional level in line with the approved rebalancing plans and **strictly apply the new provisions of the Budgetary Stability Law** regarding transparency and control of budget execution and continue improving the timeliness and accuracy of budgetary reporting at all levels of government. **Establish an independent fiscal institution** to provide analysis, advice and monitor fiscal policy. Implement reforms in the public sector to improve the efficiency and quality of public expenditure at all government levels.	**Only partially implemented.** Spain has implemented a structural effort in 2012 and 2013 which, account taken of the unexpected adverse economic developments compared to when the Council recommendation was issued, is in line with the EDP recommendation. However, Spain will not meet the nominal budgetary targets established in the Council Recommendation of 10 July 2012. The provisions of the Budgetary Stability Laws regarding the envisaged early warning and corrective mechanisms to limit deviations from the budgetary targets of the Autonomous Communities have not been implemented in a fully transparent, timely, and effective way. Progress has been made with respect to budgetary reporting at central, regional, and social security levels by publishing monthly budgetary execution data on national accounts basis. The submission of the draft law providing for the setting up of an independent fiscal authority was submitted to the Council of Ministers in April 2013; contrary to initial expectations the authority is unlikely to be fully operational in the 2014 budgetary procedure.	**1.** Deliver the **structural fiscal effort as required** by the Council recommendation under the EDP to ensure **correction of the excessive deficit by 2016**. To this end, implement the measures adopted in the 2013 budget plans at all levels of government, **reinforce the medium-term budgetary strategy with sufficiently specified structural measures for the years 2014-16**. A durable correction of the fiscal imbalances is predicated upon the credible implementation of ambitious structural reforms which would increase the adjustment capacity and boost potential growth and employment. After achieving the correction of the excessive deficit, pursue the structural adjustment at an appropriate pace so as to reach the **medium term objective by 2018.** Ensure a strict and transparent enforcement of the preventive and corrective measures provided for in the Budgetary Stability Organic Law. **Establish an independent fiscal authority before the end of 2013** to provide analysis, advice and monitor compliance of fiscal policy with national and EU fiscal rules. Improve the efficiency and quality of public expenditure at all levels of government, and conduct a systematic review of major spending items by March 2014. Increase the **cost-effectiveness of the health-care sector**, while maintaining accessibility for vulnerable groups, for example by reducing hospital pharmaceutical spending, strengthening coordination across types of care and improving incentives for an efficient use of resources. Take measures to reduce the outstanding amount of government arrears, avoid their further accumulation and regularly publish data on

			outstanding amounts. **Adopt the dis-indexation law** to reduce the degree of price inertia in public expenditures and revenues, in time to have it in force by the beginning of 2014 and consider additional steps to limit the application of indexation clauses. Finalise by end-2013 the regulation of the sustainability factor so as to ensure the long-term financial **stability of the pension system**, including by providing that the retirement age will rise in line with gains in life expectancy.
	2. Ensure that the **retirement age** is rising in line with life expectancy when regulating the sustainability factor foreseen in the recent pension reform and underpin the **Global Employment Strategy for Older Workers** with concrete measures to develop lifelong learning further, improve working conditions and foster the reincorporation of this group in the job market.	**Some progress.** In early 2013, access to early and partial retirement was curbed. An experts group has been set up to assess the sustainability factor, but a proposal on the technical details is still pending. The 2012-2014 Global Employment Strategy for Older Workers has not yet been underpinned by concrete measures, except for some progress in the recognition and accreditation of professional competencies based on work experience and formal and non-formal learning and revision of the rules on combining work and pension entitlements.	
	3. Introduce a **taxation system** consistent with the fiscal consolidation efforts and more supportive of growth, including a shift away from labour towards consumption and environmental taxation. In particular, address the low VAT revenue ratio by broadening the tax base for VAT. Ensure less tax-induced bias towards indebtedness and homeownership (as opposed to renting).	**Partially implemented.** With effect from September 2012, VAT rates were increased (the standard rate from 18% to 21%, and the reduced rate from 8% to 10%). The scope of application of the standard VAT rate was also extended (second set of measures in November 2012). New environmental taxes (on electricity generation) were introduced in 2013. A 1% reduction in employers' social security contributions in 2013 and 2014 previously announced was postponed until further notice due to the challenge of fiscal consolidation. The abolition of mortgage payment deductibility was	**2.** Conduct a systematic **review of the tax system** by March 2014. Consider further limiting tax expenditure in direct taxation, explore the scope to further limit the application of the reduced VAT rates and take additional steps in environmental taxation, notably as regards fuel taxes. Take further measures to address the debt bias in corporate taxation. Intensify the fight against the shadow economy and undeclared work.

		adopted in December 2012.	
	4. Implement the reform of **the financial sector**, in particular complement the on-going restructuring of the banking sector by addressing the situation of remaining weak institutions, put forward a comprehensive strategy to deal effectively with the legacy assets on the banks' balance sheets, and define a clear stance on the funding and use of backstop facilities.	**Implementation is ongoing in the framework of the bank recapitalisation programme.**	**3.** Implement the **financial sector programme** for the recapitalisation of the financial institutions, including the measures promoting non-bank intermediation adopted in November 2012.
	5. Implement the **labour market reforms** and take additional measures to increase the effectiveness of active labour market policies by improving their targeting, by increasing the use of training, advisory and job matching services, by strengthening their links with passive policies, and by strengthening coordination between the national and regional public employment services, including sharing information about job vacancies.	**Partially implemented** Implementation of the 2012 labour market reform continues; its impact will be subject to an evaluation currently being developed by the government. The Royal Decree-Law of 13 July 2012 on measures to ensure budget stability and promote competitiveness has strengthened the links between active and passive labour market policies, tightening job-search conditionality and revising conditions for unemployment assistance. New measures were taken in the area of ALMPs, namely as regards youth unemployment and the links between ALMPs and PLMPs. Further reform is considered urgent to increase employability.	**3.** Finalise the evaluation of the 2012 **labour market reform** covering the full range of its objectives and measures by July 2013, and present amendments, if necessary, by September 2013. Adopt the 2013 national Employment Plan by July 2013 and enact swiftly a result-oriented reform of active labour market policies, including by strengthening the targeting and efficiency of guidance. Reinforce and modernise **public employment services** to ensure effective individualised assistance to the unemployed according to their profiles and training needs. Reinforce the effectiveness of re-skilling training programmes for older and low-skilled workers. Fully operationalize the **Single Job Portal** and speed up the implementation of public-private cooperation in placement services to ensure its effective application already in 2013. **4.** Implement and monitor closely the effectiveness of the measures to **fight youth unemployment** set out in the Youth Entrepreneurship and Employment Strategy 2013-2016, for example through a Youth Guarantee. Continue with efforts to increase the **labour market relevance of education** and training, to reduce early school leaving and to enhance life-long learning, namely by expanding the application of dual vocational training beyond the current pilot phase and by introducing a comprehensive monitoring system of pupils'
	6. Review spending priorities and reallocate funds to support **access to finance for small and medium-sized enterprises** (SMEs), research, innovation and young people. Implement the **Youth Action Plan,** in particular as regards the quality and labour market relevance of vocational training and education, and reinforce efforts to reduce early school-leaving and increase participation in vocational education and training through prevention, intervention and compensation measures.	**Partially implemented.** The Youth Employment and Entrepreneurship Strategy 2013-2016 (in the pipeline) will encompass around 100 short, medium and long-term measures to support education and training, counterbalance youth unemployment and enhance entrepreneurship, with an overall budget of 3.5 billion. Measures to fight ESL have been maintained in 2012 in cooperation with the Autonomous Communities, but funding is no longer provided in the 2013 budget. The main objective of the draft Organic Law for the Improvement of Quality in	

		Education (LOMCE) is also fight against ESL. The 2012 labour market reform significantly amended the contract for training and apprenticeship, and foundations were laid to launch a dual vocational training system (Royal Decree 1529/2012 of November 2012). The 2013 NRP does not provide for the reallocation of public spending to research and innovation, where no progress has been made since 2009.	performance by the end of 2013.
	7. Improve the **employability of vulnerable groups**, combined with effective child and family support services in order to improve the situation of people at risk of poverty and/or social exclusion, and consequently to achieve the well-being of children.	**Limited progress.** The 2012 labour market reform presented a set of general measures tending to promote employability, but failed to take a specific approach to support the active inclusion in the labour market of those furthest away from the labour market. No additional measures have been announced since the reform, except for the revision and extension of the 40 PREPARA programme until unemployment rates fall below 20 %. Spain also approved a National Strategy for the Social Inclusion of the Roma Population 2012-2020 and an Action Plan on Drugs 2013-2016, but budget allocations are yet to be confirmed. Limited progress was made on measures to tackle child poverty and improve the efficiency of family support services, although the approval in April 2013 of the Second National Strategic Plan for Children and Adolescents 2013-2016 (PENIA II) gives a positive signal.	**6.** Adopt and implement the necessary measures to reduce the number of people **at risk of poverty and/or social exclusion** by reinforcing active labour market policies to improve employability of people further away from the labour market and by improving the targeting and increasing efficiency and effectiveness of support measures including quality family support services.
	8. Take additional measures to **open up professional services**, including highly regulated professions, reduce delays in obtaining business licences and eliminate barriers to doing business resulting from overlapping and multiple regulations by different levels of government. Complete the electricity and gas interconnections with neighbouring countries and address the electricity tariff deficit in a comprehensive way, in	**Limited progress.** Submission of the draft Law on Professional Services has been repeatedly delayed. The Entrepreneurship Plan was announced in February 2013 and confirmed in the NRP 2013. The measures announced are being formally adopted and should contribute to introducing more dynamism into the economy.	**7.** Urgently adopt and implement the draft **Law on Market Unity** and speed up all complementary actions needed for its swift implementation. Ensure the effectiveness, autonomy and independence of the newly created regulatory authority. By the end of 2013, adopt and implement the Law on professional associations and services and the Law on Entrepreneurship. Regroup and concentrate

	particular by improving the cost efficiency of the electricity supply chain.	Measures adopted in December 2012 (e.g. taxes on electricity generation), and more announced in February 2013 (e.g. revised support for renewable energy sources) are intended to reduce the electricity tariff deficit in 2013 and to finance the remainder from the state budget. Additional systemic measures are needed.	support schemes for the internationalisation of firms. Reduce the number and shorten **licensing procedures**, including for industrial activities, and spread the use of the "express licence" approach to activities other than retail. Review **insolvency frameworks** for companies and individuals, including through limiting personal liability of entrepreneurs and easing second chances for failed businesses. Remove **unjustifiable restrictions** to the establishment of large-scale retail premises. By March 2014, review the effectiveness of the regulatory framework to support the development of the housing rental market. **8.** Tackle the **electricity tariff** deficit by adopting and implementing a structural reform of the electricity sector by the end of 2013. Intensify efforts to complete the electricity and gas interconnections with neighbouring countries. Reduce the contingent liability for public finances stemming from unprofitable transport infrastructure. Provide for an independent national assessment of future major **infrastructure projects**. Take measures to ensure effective competition in freight and passenger rail services.
			9. Adopt in line with the presented timetable the **reform of the local administration** and define by October 2013 a plan to enhance the efficiency of the overall **public administration**. Adopt and implement the on-going reforms to enhance the **efficiency of the judicial system**.

FR	Country Specific Recommendations 2012 **MIP: 2, 4, 5**	Assessment of implementation of CSR 2012 (based on COM staff documents)	Draft Country Specific Recommendations 2013 **MIP: 1, 2, 3, 4, 5, 6**
	1. Reinforce and implement the budgetary strategy, supported by sufficiently specified measures, notably on the expenditure side, for the year 2012 and beyond to ensure a **correction of the excessive deficit by 2013** and the achievement of the structural adjustment effort specified in the Council recommendations under the excessive deficit procedure. Thereafter, ensure an adequate structural adjustment effort to **make sufficient progress towards the MTO**, including meeting the expenditure benchmark, and ensure sufficient progress towards compliance with the debt reduction benchmark. Continue to review the sustainability and adequacy of the **pension system** and take additional measures if needed.	**Some progress** Although the authorities took additional consolidation measures shortly after they took office to secure the 4.5% target for 2012, the deficit eventually came out at 4.8% of GDP. As far as 2013 is concerned, the budget was based on a deficit target of 3% of GDP. However, the deficit will likely stay well above the reference threshold and the stability programme now aims at 3.7% of GDP. The Commission spring forecast projected the deficit to reach 3.9%. Regarding the pension system, the latest projections by the Pensions Advisory Council point to large deficits by 2020. The decision to reinstate retirement at 60 for some categories of workers goes against the recommendation. Furthermore, this measure is financed by higher social security contributions, hence further increasing the already high tax burden on labour.	**1.** Reinforce and pursue the budgetary strategy in 2013. Enhance the credibility of the adjustment by specifying by autumn 2013 and implementing the necessary measures for the year 2014 and beyond to ensure a **correction of the excessive deficit in a sustainable manner by 2015** at the latest and the achievement of the structural adjustment effort specified in the Council recommendations under the EDP. Use all windfall gains for deficit reduction. A durable correction of the fiscal imbalances requires a credible implementation of ambitious structural reforms to increase the adjustment capacity and boost growth and employment. Maintain a growth-friendly fiscal consolidation course and further increase the efficiency of public expenditure, in particular by proceeding as planned with a review of spending categories across all sub-sectors of general government. Take action through the forthcoming decentralisation law to achieve b**etter synergies and savings between central, regional and local government levels**. After the correction of the excessive deficit, pursue the structural adjustment effort at an adequate pace so as to **reach the MTO by 2016**. Take measures by the end of 2013 to bring the **pension system into balance in a sustainable manner** no later than 2020, for example by adapting indexation rules, further increasing the statutory retirement age and full-pension contribution period and reviewing special schemes, while avoiding an increase in employers' social contributions, and increase the **cost-effectiveness of healthcare expenditure**, including in the areas of

			pharmaceutical spending.
	2. Introduce further reforms to combat **labour market segmentation** by reviewing selected aspects of employment protection legislation, in consultation with the social partners in accordance with national practices, in particular related to dismissals; continue to **ensure that any development in the minimum wage is supportive of job creation and competitiveness**; take actions to increase adult participation in lifelong learning.	**Some progress** A national agreement was reached by social partners on 11 January. This agreement has two main strands. It offers new rights to employees and increases the flexibility of the labour contract for employers. The implementing draft law was presented to the Parliament in April and definitely adopted by mid-May. The agreement reached is a step in the right direction. At this stage, the measures included in the agreement are in line with the CSR as they address partly labour market segmentation and reduce the uncertainties of dismissals. On the other hand, the discretionary hike in the minimum wage decided in July 2012, although limited, goes clearly against the recommendation. Despite the reforms undertaken, the French participation rate of adults in lifelong learning remains below the EU average. The planned transfer of additional lifelong learning competences to the Regions provides an opportunity to address the weaknesses of the current system.	**2.** Ensure that the 'crédit d'impôt compétitivité et emploi' effectively **reduces labour costs** by the planned amount and that no other measure will offset its effect. Take further action to lower the cost of labour, in particular through further measures to reduce employers' social-security contributions. Ensure that **developments in the minimum wage are supportive of competitiveness and job creation**, taking into account the existence of wage support schemes and social contribution exemptions. **6.** Implement fully and without delay the January 2013 inter-professional agreement, in consultation with the social partners. Take further action to combat **labour-market segmentation**, in particular to address the situation of interim agency workers. Launch urgently a **reform of the unemployment benefit system** in association with the social partners to ensure sustainability of the system while ensuring that it provides adequate incentives to return to work. Enhance the employment rate of older workers and stimulate their participation in the labour market. Take specific action to improve the employment perspective of older unemployed people in particular through specific counselling and training. **Increase adult participation in lifelong learning**, especially of the least qualified and of the unemployed. Ensure that public employment services effectively deliver individualised support to the unemployed and that **active labour market policies** effectively target the most disadvantaged. Take further measures to improve the transition from school to work through, for example, a Youth Guarantee and promotion of apprenticeship.
	3. Adopt **labour market measures** to ensure that older workers stay in employment longer; improve youth employability especially for those most at risk of unemployment, by providing for example more and better apprenticeship schemes which effectively address their needs; **step up active labour market policies** and ensure that public employment services are more effective in delivering individualised support.	**Some progress** 500000 generation contracts are expected to be created within the next five years to promote the creation of jobs for young workers along with the retention of seniors in employment. Specifically targeted toward deprived areas, the 'emplois d'avenir' scheme plans to offer 150000 jobs in the public sector to young people by the end of 2014. A reform of apprenticeship and lifelong learning was announced for the end of 2013 which would aim to improve the vocational training system and encourage training for	

		jobseekers. Regarding the public employment service, the announced plan to increase staffing is positive but insufficient to address the increasing number of unemployed people.	
	4. Take further steps to introduce a **more simple and balanced taxation system**, shifting the tax burden from labour to other forms of taxation that weigh less on growth and external competitiveness, in particular environmental and consumption taxes; continue efforts to reduce and streamline tax expenditures (in particular those providing incentives to indebtedness); **review the effectiveness of the current reduced VAT** rates in support of growth and job creation.	**Substantial progress** The tax credit introduced as part of the Pact on competitiveness is financed by an increase in VAT rates, by environmental taxation adjustments (still to be defined) and by additional savings (idem). It is therefore consistent with the recommendation to shift taxation from labour to less distortive forms of taxation, including consumption and environmental taxes, although part of the measures are still to be specified in sufficient detail. Concerns may be raised on the effect of the tax credit on the incentives to hire or maintain in employment low- rather than high-skilled people. In addition, the government has taken further measures to reduce tax expenditures for both personal income tax and corporate income tax. In particular, specific attention has been paid to the need to reduce the incentive to increase debt but at the same time, incentives to equity investment seem to have been reduced. Regarding the reduced VAT rates, the intermediate rate will be increased by 3 pps.	**5.** Pursue efforts to **simplify the tax system and improve its efficiency**, while ensuring continuity of tax rules over time. Take measures to remove the debt bias in corporate taxation. Step up efforts to reduce and streamline personal and corporate income tax expenditures while reducing statutory rates; **bring reduced VAT rates closer to the standard rate and remove inefficient reduced rates**. Take further measures shifting the tax burden from labour to environmental taxation or consumption
	5. Pursue efforts to **remove unjustified restrictions on regulated trades and professions,** in particular in services and the retail sector; take further steps to liberalise network industries, in particular in the electricity wholesale market, develop energy interconnection capacity and facilitate the entry of new operators into the rail freight and international passenger transport sectors.	**Limited progress** No significant progress has been recorded on this recommendation, with the exception of a major electricity interconnection project under construction between France and Spain. In the context of the planned reform of the rail system, there is also room for progress to ensure the necessary independence of the infrastructure manager to guarantee fair and non-discriminatory access to the network to all operators in both freight and passenger transport. On regulated sectors ad professions,	**3.** Take measures to **improve the business environment** and develop the innovation and export capacity of firms, in particular SMEs and enterprises of intermediate size. In particular, launch the announced **simplification initiative of the regulatory framework**, and improve the framework conditions for innovation, by enhancing technology transfer and the commercial exploitation of research, including through a reorientation of the competitiveness poles **4.** Take action to **enhance competition** in

		despite a few noticeable exceptions (including veterinaries, lawyers and accountants), no progress has been recorded in the removal of restrictions, in particular in the retail sector.	services; **remove unjustified restrictions** in the access to and exercise of professional services, notably regarding legal form, shareholding structure, quotas and territorial restrictions; take action to simplify authorisation for the opening of trade outlets and to remove the ban of sales at a loss; remove regulated gas and electricity tariffs for non-household customers and strengthen interconnection capacity with neighbouring countries; in the railway sector, open domestic passenger transport to competition**.**

IT	[Country Specific Recommendations 2012] **MIP: 1, 4, 5, 6**	[Assessment of implementation of CSR 2012 (based on COM staff documents)]	[Draft Country Specific Recommendations 2013] **MIP: 1, 2, 3, 4, 5, and 6**
	1. Implement the budgetary strategy as planned, and ensure that the **excessive deficit is corrected in 2012**. Ensure the planned structural primary surpluses so as to put the **debt- to-GDP ratio on a declining path by 2013**. Ensure adequate progress towards the MTO, while meeting the expenditure benchmark and making sufficient progress towards compliance with the debt reduction benchmark.	**Some progress.** On 10 April, the government presented the new Economic and Financial Planning Document (DEF) for 2013-17, with a worsened economic and budgetary outlook. The deficit reached 3.0% of GDP in 2012 (EDP deadline set by the Council). The government deficit is planned to decrease slightly to 2.9% of GDP in 2013, to allow for the liquidation of commercial debt of around 0.5% of GDP, and to fall to 1.8% in 2014, 1.5% in 2015, 0.9% in 2016 and 0.4% in 2017. The deficit targets as from 2015 will require some additional consolidation measures. Also due to the payment of commercial debt, the debt is projected to rise to 130.4% of GDP this year and fall steadily thereafter, to 117.3% in 2017.	**1.** Ensure that the **deficit remains below 3% of GDP in 2013**, by fully implementing the adopted measures. Pursue the structural adjustment at an appropriate pace and through growth-friendly fiscal consolidation **so as to achieve and maintain the MTO as from 2014.** Achieve the planned structural primary surpluses in order to put the very high debt-to-GDP ratio (forecast to be 132.2% of GDP in 2014) on a steadily declining path. Continue pursuing a durable improvement of the efficiency and quality of public expenditure by fully implementing the measures adopted in 2012 and taking the effort forward through regular in depth spending reviews at all levels of government.
	2. Ensure that the specification in the implementing legislation of the key features of the balanced budget rule set out in the Constitution, including appropriate **coordination across levels of government**, is consistent with the EU framework. Pursue a durable improvement of the efficiency and quality of public expenditure through the planned spending review and the implementation of the 2011 Cohesion Action Plan leading to **improving the absorption and management of EU funds**, in particular in the South of Italy.	**The part dedicated to the balanced budget rule has been fully addressed, while some progress has been made towards addressing the recommendation on public expenditure and structural funds.** In line with the CSR, the secondary legislation related to the introduction of a balanced budget rule in the Italian Constitution was adopted in December 2012, in broad consistency with the EU strengthened fiscal framework. A spending review law was adopted last August and complemented by measures to cut the costs of elected bodies and further expenditure reshuffling provisions in the December 2012 budget law for 2013-15. As regards the implementation of the Cohesion Action Plan, while the part of the recommendation regarding absorption has seen positive developments, the management issue,	**2.** Ensure timely implementation of on-going reforms by swiftly adopting the necessary enacting legislation, following it up with concrete delivery at all levels of government and with all relevant stakeholders, and monitoring impact. Reinforce the efficiency of public administration and **improve coordination between layers of government**. Simplify the administrative and regulatory framework for citizens and business and reduce the duration of case-handling and the high levels of litigation in civil justice, including by fostering out-of-court settlement procedures. Strengthen the legal framework for the repression of corruption, including by revising the rules governing limitation periods. Adopt structural measures to improve the **management of EU funds** in the southern regions with regard

		especially in the south of Italy, remains unaddressed.	to the 2014-2020 programming period.
	3. Take further action to **address youth unemployment**, including by improving the labour-market relevance of education and facilitating transition to work, also through incentives for business start-ups and for hiring employees. Enforce nation-wide recognition of skills and qualifications to **promote labour mobility**. Take measures to **reduce tertiary education dropout rates** and fight early school leaving.	**Some progress.** Some measures have been taken to tackle early school leaving and tertiary education dropout rates and to adapt the supply of high-level skills to labour market needs, yet they are still insufficient. Nationwide recognition of skills and qualifications has been implemented through the national system for the certification of skills. Several measures have been introduced to favour the creation of innovative start-ups and the recruitment of high-skilled young people but their scope is limited and some of them still lack implementing legislation.	**4.** Ensure the effective implementation of **the labour market and wage setting reforms** to allow better alignment of wages to productivity. Take further action to foster **labour market participation**, especially of women and young people, for example through a Youth Guarantee. Strengthen **vocational education and training**, ensure more efficient public employment services and improve career and counselling services for tertiary students. **Reduce financial disincentives** for second earners to work and improve the provision of care and out-of-school services. Step up efforts to **prevent early school leaving** and improve school quality and outcomes, also by reforming teachers' professional and career development. Ensure effectiveness of social transfers, notably through better targeting of benefits, especially for low-income households with children.
	4. Adopt the **labour market reform** as a priority to tackle the segmentation of the labour market and establish an integrated unemployment benefit scheme. Take further action to incentivise labour market participation of women, in particular through the provision of childcare and elderly care. Monitor and if needed reinforce the implementation of the new **wage setting framework** in order to contribute to the alignment of wage growth and productivity at sector and company level.	**Some progress.** In line with the CSR, an ambitious reform of the labour market was adopted in June 2012, but still requires the adoption of implementing decrees for some of its provisions. Although measures were adopted to encourage female participation in the labour market, their scope remains narrow. Furthermore, the measures regarding the provision of childcare and elderly care remain at a general stage and have limited scope. On wage bargaining, an agreement was signed by the social partners in 2012. It promotes decentralised bargaining and acknowledges the need to link wages not only to inflation but also to the economic and competitive conditions of the country of the sector concerned.	
	5. Pursue the **fight against tax evasion**. Pursue the shadow economy and undeclared work, for instance by stepping up checks and controls. Take measures to reduce the scope of tax exemptions, allowances and reduced VAT rates and simplify the tax code. Take further action to shift the **tax burden away from capital and labour to property and consumption as well**	**Limited progress**. After the ambitious measures adopted over 2010-11, progress towards further shifting the tax burden from labour and capital to property and consumption has been limited. Relevant measures were contained in a draft enabling law for reforming the tax system to improve tax	**5. Shift the tax burden from labour and capital to consumption, property and the environment in a budgetary neutral manner.** To this purpose, review the scope of VAT exemptions and reduced rates and of direct tax expenditures, and reform the cadastral system to align the tax base of recurrent immovable property to market values. Pursue the fight

	as environment.	compliance, simplify the tax system and enhance its efficiency but remained at the stage of projects since the law has not been adopted by the Italian Parliament. Italy has implemented targeted measures to enhance the tools available to the tax administration to efficiently tackle tax evasion.	against tax evasion, improve tax compliance and take decisive steps against the shadow economy and undeclared work.
	6. Implement the adopted **liberalisation and simplification measures in the services sector**. Take further measures to improve market access in network industries, as well as infrastructure capacity and interconnections. Simplify further the regulatory framework for businesses and enhance administrative capacity. Improve access to financial instruments, in particular equity, to finance growing businesses and innovation. Implement the planned reorganisation of the civil justice system, and promote the use of alternative dispute settlement mechanisms.	**Some progress**. Important measures have been adopted to improve market functioning in services and network industries. Yet, risks can be identified as regards the proper implementation of some of them, the liberalisation of local public services halted, and areas for further action remain, for instance in fuel distribution, insurance, and postal services. Besides, only limited progress has been registered regarding the improvement of infrastructure in the electricity and gas sectors. Work on administrative simplification has continued. However, the draft law on simplification expected to supplement this effort has not been approved by the Italian Parliament. Several tools were introduced to ease firms' access to finance and improve research and innovation, but remain limited in scope.	**6.** Ensure the proper implementation of the measures aiming at **market opening in the services sector**. **Remove remaining restrictions in professional services** and foster market access for instance in the provision of local public services where the use of **public procurement should be advanced** (instead of direct concessions). Pursue deployment of the measures taken to improve market access conditions in network industries, in particular by setting- up the Transport Authority as a priority. **Upgrade infrastructure capacity** with focus on energy interconnections, intermodal transport and high-speed broadband in telecommunications, also with a view to tackling the North-South disparities.
			3. Promote corporate governance practices in the **banking sector** conducive to higher efficiency and profitability to support the flow of credit to productive activities. Take forward the on-going work as regards **asset-quality screening** across the banking sector and **facilitate the resolution of non-performing** loans on banks' balance sheets. **Promote further the development of capital markets** to diversify and enhance firms' access to finance, especially into equity, and in turn foster their innovation capacity and growth.

CY	[Country Specific Recommendations 2012](#) MIP: 1, 2, 7	[Assessment of implementation of CSR 2012 (based on COM staff documents)](#)	[Draft Country Specific Recommendations 2013](#)
	1. Take additional measures to achieve a durable correction of the **excessive deficit** in 2012. Rigorously implement the budgetary strategy, supported by sufficiently specified measures, for the year 2013 and beyond to ensure the achievement of the MTO by 2014 and compliance with the expenditure benchmark and ensure sufficient progress with the debt reduction benchmark. Accelerate the phasing-in of an enforceable multiannual budgetary framework with a binding statutory basis and corrective mechanism. Take measures to keep tight control over expenditure and implement programme and performance budgeting as soon as possible. Improve tax compliance and fight against tax evasion.	**Partially implemented.** › The Cypriot authorities had adopted a series of packages of fiscal consolidation measures in 2011, embedded in the 2012 Budget Law. In addition, they adopted fiscal measures for 2012-14 outlined in the MoU with the 2013 Budget Law and the MTBF for 2013-2015. Based on the Commission's Spring Forecast 2013, the general government deficit for 2012 is projected at -6.3% of GDP. › The Law on Regulation of the Medium-Term Budgetary Framework and Fiscal Rules (MTBF Law) was adopted with the 2013 Budget Law. › The value of several indicators, such as the administrative costs of tax collection and the share of the shadow economy, indicate a need and scope to improve both tax compliance and the tax administration. The 2013 Budget Law included special provisions to pursue the effort to fight against fraud and tax evasion.	To avoid duplication with measures set out in the [Economic Adjustment Programme,](#) there are no additional recommendations for Cyprus.
	2. Further harmonise the **supervisory and the regulatory framework for the cooperative credit societies in line with the standards applied for the commercial banks**. Strengthen regulatory provisions for the efficient recapitalisation of the financial institutions in order to limit exposure of the financial sector to external shocks.	**Partially implemented.** › As per MoU, Cyprus committed to integrating the supervision of the cooperative credit institutions into the Central Bank of Cyprus and legislation will be passed to strengthen governance of these institutions (by June 2013 as per MoU). › As per MoU, Cyprus committed to increase the minimum Core Tier 1 capital ratio from the present 8% to 9%, with financial institutions to comply by the end of December 2013 (ii) undercapitalised institutions in comparison with a 9% core tier 1 capital target under stress	

		conditions will be required to submit funding plans and to increase their capital to the extent possible by recourse to private investors; (iii) institutions borrowing from the Central Bank of Cyprus (CBC) will establish and submit quarterly medium-term funding plans, taking into consideration the expected path of deleveraging that would avoid asset fire sales or a credit crunch; (iv) CBC will review its prudential regulations on liquidity by end-2014.	
	3. Further improve the **long-term sustainability** and adequacy of the pensions system and address the high at-risk-of-poverty rate for the elderly. Ensure an increase in the effective retirement age, including through aligning the statutory retirement age with the increase in life expectancy.	**Partially implemented.** › The Cyprus authorities took measures for a comprehensive pension reform encompassing both the Government Employees Pension System (GEPS) and the General Social Insurance System (GSIS). In January 2013, the statutory retirement age was increased by two years for the GEPS, while the minimum age for entitlement to an unreduced pension is being raised by 6 month per year in the GSIS to bring it into line with the statutory retirement age. In addition, under the GEPS, the indexation of all pension benefits has been changed from wages to prices, while pension benefits are to be calculated on a pro-rata basis taking into account life-time service. Lump-sum payments accruing under the GEPS from 1 January 2013 onwards are now taxed as personal income with public sector employees having the option of turning the lump sum into an annuity. Pensions under both systems are frozen for the programme period.	
	4. Complete and implement the **national healthcare system** without delay, on the basis of a roadmap, which should ensure its financial sustainability while providing universal coverage.	**Partially implemented.** › In June 2012, the Council of Ministers approved a proposal for the implementation of the National Health Insurance System (NHIS). › As per MoU, an actuarial study is being carried out to assess the potential fiscal risks and benefits of the planned introduction of the	

		National Health System (foreseen for 2015) and is to be available by the end of June 2013.	
	5. Improve the **skills of the workforce** to reinforce their occupational mobility towards activities of high growth and high value added. Take further measures to address youth unemployment, with emphasis on work placements in companies and promotion of self-employment. Take appropriate policy measures on the demand side to stimulate business innovation.	**Partially implemented.** › In order to improve the skills of the workforce and to promote productivity, Cyprus set up four post-secondary institutions which opened in September 2012. It also further developed and is gradually implementing a competence-based system of vocational qualifications (SVQ). To improve basic skills and address the drop-out and ESL, Cyprus started the implementation in October 2012 of the New Modern Apprenticeship (NMA) system directed to young people between 14-25 years old. › With a view to promoting employment, a new incentive scheme was set up for the employment of the long-term unemployed while two schemes were envisaged to support youth employment	
	6. Remove **unjustified obstacles in services markets,** in particular by improving the implementation of the Services Directive in service sectors with the most growth potential (including tourism) and by opening up the provision of professional services.	**Partially implemented.** › Cyprus adopted legislation for eliminating: (i) restrictions for the exercise of the profession of opticians; (ii) minimum tariffs for tourist guides and tourism agencies; and (iii) barriers to entry to the technical professions as a legal person. › Cyprus committed to removing obstacles in services markets by easing the requirements related to entry and establishment, and by eliminating requirements concerning minimum tariffs.	
	7**.** Improve competitiveness, including through the **reform of the system of wage indexation,** in consultation with social partners and in line with national practices, to better reflect productivity developments. Take steps to diversify the structure of the economy. Redress the fiscal balance by restraining expenditure.	**Partially implemented.** › Cyprus adopted legislation to reform the wage indexation mechanism (COLA) by reducing the frequency of its adjustment, introducing a mechanism for its automatic suspension during adverse economic conditions and moving from full to partial indexation of 50% of past inflation. COLA is suspended in the public sector until end-2015 while the new system is expected to	

		be extended also to the private sector by means of a tripartite agreement.	

LV	[Country Specific Recommendations 2012]()	[Assessment of implementation of CSR 2012 (based on COM staff documents)]()	[Draft Country Specific Recommendations 2013]()
	1. Ensure planned progress towards the **timely correction of the excessive deficit**. To this end, implement the budget for the year 2012 as envisaged and achieve the fiscal effort specified in the Council recommendation under the excessive deficit procedure. Thereafter, implement a budgetary strategy, supported by sufficiently specified structural measures, for the year 2013 and beyond, to **make sufficient progress towards the MTO**, and to respect the expenditure benchmark. **Use better than expected cyclical revenue to reduce government debt.**	**Significant progress.** The general government deficit decreased in 2012 to the level of 1.2% of GDP, which is significantly better than was envisaged in the 2012 programme. As the structural balance improved substantially in 2012, partly reflecting measures to increase tax efficiency, Latvia also reached its MTO in that year. However, contrary to the CSR, the 2012 budget was not implemented as envisaged, as the standard VAT rate was lowered in mid-2012 and the supplementary budget raising expenditure targets were adopted in the second half of the year.	**1.** Reinforce the budgetary strategy to **ensure that the deviation from the MTO only reflects the incremental impact of the systemic pension reform**. Within this strategy, reduce taxation of low-income earners by **shifting taxation to areas such as excise duties, recurrent property taxes and/or environmental taxes**. Maintain efforts **to improve tax compliance and combat the shadow economy**. Continue strengthening the fiscal framework through effective implementation of the Fiscal Discipline Law and multi-annual budgeting.
	2. Implement measures to **shift taxation away from labour** to consumption**,** property, and use of natural and other resources while improving the structural balance; **ensure adoption of the Fiscal Discipline Law** and develop a medium term budgetary framework law to support the long-term sustainability of public finances; **restore contributions to the mandatory funded private pension scheme at 6 % of gross wages** from 2013.	**Some progress.** Latvia has reduced taxes on labour and plans further steps in this regard in 2014-15. However, focus on low-wage earners has been insufficient. The Fiscal Discipline Law was approved by parliament in January 2013 and entered into force on 6 March 2013, and the first medium-term budget law under the new framework is expected in the second half of 2013. Latvia has increased contributions to the mandatory funded private pension scheme, although the increases were more gradual than prescribed by the CSR.	
	3. Take measures to **reduce long-term and youth unemployment** by fighting early school leaving, promoting more efficient vocational education and training and its apprenticeship component, enhancing the quality, coverage and effectiveness of active labour market policy and its training component and through an effective wage subsidy scheme.	**Some progress.** Latvia has partially implemented the CSR by taking the following steps: increased coverage of ALMPs; development of new ALMP measures; modernisation of VET schools; and others. However, since youth and long-term unemployment is still high, further work is necessary. Also, several measures are at an	**2. Tackle long-term and youth unemployment** by increasing coverage and effectiveness of active labour market policies and targeted social services. Improve the employability of young people, for example through a Youth Guarantee, establish comprehensive career guidance, implement reforms in the field of vocational education and training, and improve the quality

		early stage of implementation. There is scope for further action as regards promoting apprenticeships within VET and implementing the planned VET reforms.	and accessibility of apprenticeships.
	4. Tackle high rates of poverty and social exclusion by **reforming the social assistance system** to make it more efficient, while better protecting the poor. Ensure better targeting and increase incentives to work.	**No progress.** There has been little progress in addressing the problems of social assistance and some steps (abolishing central government financing for GMI; reduction of the GMI amount) go against the spirit of the CSR.	**3. Tackle high rates of poverty** by reforming social assistance for better coverage, by improving benefit adequacy and strengthening activation measures for benefit recipients. Reinforce the delivery mechanisms to effectively reduce child poverty.
	5. Further **encourage energy efficiency** by implementing measures and providing incentives for reducing energy costs and shifting consumption towards energy-efficient products, including vehicles, buildings and heating systems. Promote competition in major energy networks and improve connectivity with EU energy networks.	**Some progress.** Progress achieved on liberalising the electricity market. Some progress was identified regarding energy network connections, as essential projects are under development in cooperation with other countries in the region. Limited progress was achieved on gas infrastructure and markets, and regional discussions continue. Some progress was made on energy efficiency. Delivery of the 40% RES target by 2020 requires further work, including on the set-up of a stable and predictable support framework.	**5.** Continue **improving energy efficiency**, especially of residential buildings and district heating networks, provide incentives for reducing energy costs and shift consumption towards energy-efficient products. **Improve connectivity with EU energy networks** and take steps towards liberalisation of the natural gas market, including provision of clear rules for third-party access to storage capacities.
	6. Take measures to **improve management and efficiency of the judiciary**, in particular to reduce the backlog and length of procedures. Take steps to improve the insolvency regime and the mediation laws.	**Some progress.** The following measures have been taken to improve the efficiency of the judiciary. The results of these measures cannot be assessed at such an early stage. However, the following challenges have not been addressed: the need to ensure proper interpretation of the insolvency law; continuing measures that further improve the quality of the judiciary; and establishing a comprehensive policy on human resources.	**6.** Complete pending reforms to **improve the efficiency and quality of the judiciary** and reduce the backlog and length of proceedings, including as regards insolvency. Put in place a comprehensive human resources policy and take steps to implement the mediation laws and streamline the arbitration court system.
	7. **Continue reforms in higher education**, inter alia, by implementing a new financing model that rewards quality, strengthens links with market needs and research institutions, and avoids fragmentation of budget resources. Design and	**Some progress.** The Ministry of Education and Science has proposed several reforms. Although most reform plans are at an early stage, they appear ambitious and relevant. Further efforts are	**4.** Implement the planned **reforms of higher education** concerning, in particular, the establishment of a quality-rewarding financing model, reform of the accreditation system, consolidation of the institutions and promotion of

	implement an effective research and innovation policy encouraging companies to innovate, including via tax incentives, upgrading infrastructure and rationalising research institutions.	needed to modernise and rationalise research and research institutions, based on independent external assessment. Such assessment should support future national and EU investment. Substantial efforts are necessary to develop and apply the Smart Specialisation Strategy promoting innovation at company level and providing links to research and education.	internationalization. Take further steps to modernise research institutions based on the on-going independent assessment.

LT	Country Specific Recommendations 2012	Assessment of implementation of CSR 2012 (based on COM staff documents)	Draft Country Specific Recommendations 2013
	1. Ensure planned progress towards the **timely correction of the excessive deficit**. To this end, fully implement the budget for the year 2012 and achieve the structural adjustment effort specified in the Council recommendation under the excessive deficit procedure. Thereafter, specify the measures necessary to ensure implementation of the budgetary strategy for the year 2013 and beyond as envisaged, **ensuring an adequate structural adjustment effort to make sufficient progress towards the MTO**, including meeting the expenditure benchmark, while minimising cuts in growth-enhancing expenditure. In that respect, review and consider increasing those **taxes** that are least detrimental to growth, such as housing and environmental taxation, including introducing car taxation, while **reinforcing tax compliance**. Strengthen the fiscal framework, in particular by introducing enforceable and binding expenditure ceilings in the medium-term budgetary framework.	**Some progress.** The general government deficit in 2012 for EDP purposes was reduced to 3.0% when taking into account the cost of systemic pension reform. A decision on EDP abrogation is pending and the structural effort was far below requirements. While the downward trend of the structural deficit is visible, progress towards the MTO according to the latest Commission forecast is below the minimum requirement of 0.5pp for 2013. No major progress on taxation was made in 2012. An announced review of taxes in 2013 is welcome, but has yet to bring concrete results. The effect of (minor) changes in housing taxation and an extended strategy to improve tax compliance remains to be assessed by the authorities. The adoption of fiscal stability laws has been postponed and further action on the creation of credible expenditure ceilings is needed.	**1.** Ensure **growth friendly fiscal consolidation** and implement the **budgetary strategy** as planned, pursuing a structural adjustment **effort that will enable Lithuania to reach the medium-term objective**. Prioritise growth-enhancing expenditure. Strengthen the fiscal framework, in particular by introducing enforceable and binding expenditure ceilings in the medium-term budgetary framework. **Review the tax system** and consider increasing those taxes that are least detrimental to growth, such as recurrent property and environmental taxation, including introducing car taxation, while continuing to reinforce tax compliance.
	2. Adopt legislation on a comprehensive **pension system reform.** Align the statutory retirement age with life expectancy, establish clear rules for the indexation of pensions, and improve complementary savings schemes. Underpin pension reform with active ageing measures.	**Limited progress.** Legal amendments to complementary pension savings adopted in late 2012 are a step in the right direction and now need to be properly implemented. However, legislation on a more comprehensive pension system reform has yet to be introduced.	**2.** Adopt and implement legislation on a comprehensive **pension system reform**. Align the statutory retirement age with life expectancy, restrict access to early retirement, establish clear rules for the indexation of pensions, and promote the use of complementary savings schemes while ensuring implementation of ongoing reforms. Underpin pension reform with measures that promote the employability of older workers.
	3. Tackle high **unemployment**, in particular among youth, low-skilled and long-term unemployed, by focusing resources on active labour market policies while improving their efficiency. Enhance the effectiveness of	**Limited progress.** The government took numerous steps to tackle youth unemployment, with some positive results. ALMP measures were not refocused. The promotion of apprenticeships remains	**3. Tackle high unemployment** amongst low-skilled and long-term by refocusing resources on active labour market policies while improving their coverage and efficiency. Improve the employability of young people, for example

	apprenticeship schemes. Amend the labour legislation with regard to flexible contract agreements, dismissal provisions and flexible working time arrangements.	insufficient. Changes to the labour code were limited and will have no major impact. Further reforms are necessary. Initial reforms to support liberalisation of fixed-term contracts in the private sector were undertaken but are not sufficient.	through a **Youth Guarantee**, enhance the implementation and effectiveness of apprenticeship schemes, and address persistent skill mismatches. Review the appropriateness of labour legislation with regard to flexible contract agreements, dismissal provisions and flexible working time arrangements, in consultation with social partners.
	4. Increase work incentives and strengthen the links between the **social assistance reform and activation measures**, in particular for the most vulnerable, to reduce poverty and social exclusion.	**Limited progress.** The implementation of cash social assistance reform measures has been launched. Increases in wages of social workers and the general minimum wage are the only policy actions with a potential poverty impact. There is no clear strategy or action plan to reduce poverty and social exclusion.	**4.** Implement concrete targeted measures to **reduce poverty and social exclusion**. Strengthen the links between the cash **social assistance reform and activation measures.**
	5. Implement all aspects of the **reform package of state-owned enterprises** and in particular ensure a separation of ownership and regulatory functions and a separation of commercial and non-commercial activities. Install appropriate monitoring tools to assess the effectiveness of the reforms and ensure compliance of all state-owned enterprises with the requirements of the reform.	**Significant progress.** The government implemented large parts of the SOE reform. However, it still has to complete the proposed actions on the separation of commercial and non-commercial activities of SOEs, guidelines on separation of ownership and regulatory functions, and to ensure 100% compliance with reporting requirements.	**5.** Complete the implementation of the **reform of the State-Owned Enterprises**, in particular to ensure separation of ownership and regulatory functions, and closely monitor compliance with the requirements of the reform.
	6. Step up measures to improve the **energy efficiency** of buildings, including through removing disincentives and a rapid implementation of the holding fund. Promote **competition in energy networks** by improving interconnectivity with the Member States for both electricity and gas.	**Limited progress.** On energy efficiency, steps have been taken to speed up renovations. While Lithuania has removed legal impediments for granting specific loans to certain categories of owners, the measures taken are not sufficient to address the overall recommendation as regards energy efficiency. On energy networks, steps have been taken but the rate of implementation remains to be seen.	**6.** Step up measures to improve the energy efficiency of buildings, including through removing disincentives and rapid implementation of the holding fund. Promote competition in energy networks by improving interconnectivity with other Member States for both electricity and gas

LU	[Country Specific Recommendations 2012]	[Assessment of implementation of CSR 2012 (based on COM staff documents)]	[Draft Country Specific Recommendations 2013]
	1. Preserve a sound fiscal position by **correcting any departure from a MTO** that ensures the long-term sustainability of public finances, in particular taking into account implicit liabilities related to ageing. To this end, reinforce and rigorously implement the **budgetary strategy**, supported by sufficiently specified measures, for the year 2013 and beyond, including meeting the expenditure benchmark.	**Some progress** The general government deficit in 2012 is estimated to have deteriorated at 0.8% of GDP, from 0.2% of GDP in 2011. The structural balance is estimated at 0.1% of GDP, just below the MTO, chosen by the country, of a surplus of 0.5% of GDP. The growth rate of government expenditure, net of discretionary revenue measures, is estimated to have exceeded the expenditure benchmark in 2012, however, the deviation is considered not significant. In addition, given the consolidation package included in the budget for 2013, estimated at around 2% of GDP, the headline deficit in 2013 is expected to improve substantially and return in compliance with the MTO target. However, the correction is not sustainable yet. On a no-policy-change assumption, the deficit is projected to deteriorate in 2014 and the years after.	**1.** Preserve a **sound fiscal position** and remain at the medium-term objective so as to e**nsure the long-term sustainability of public finances**, in particular by taking into account implicit liabilities related to ageing. Strengthen fiscal governance by adopting a medium-term budgetary framework covering the general government and including multi-annual expenditure ceilings, and by putting in place the independent monitoring of fiscal rules.
			2. Take measures to address the debt-bias in corporate **taxation** and extend the application of the standard VAT rate.
	2. Strengthen the proposed **pension reform** by taking additional measures to increase the participation rate of older workers, in particular by preventing early retirement, and by taking further steps to increase the effective **retirement age**, including through linking the statutory retirement age to life expectancy, in order to ensure the long-term sustainability of the pension system.	**Limited progress** The pension reform adopted in December 2012 is considered a light reform and should be followed by stronger reforms over the next few years. Despite the fact that age-related expenditure, and in particular pension outlays, is projected to increase, with unchanged policies, from 17.8% of GDP in 2010 to 29.8% of GDP in 2060, the highest increase in the EU, there is a clear lack of ambition and the situation would need to be reevaluated against the long-term challenges. The measures taken on lifelong	**3.** Curb **age-related expenditure** by making long-term care more cost effective, in particular through a stronger focus on prevention, rehabilitation and independent living, strengthening the recently adopted **pension reform**, taking additional measures to curb early retirement and increasing the effective retirement age, including by linking the statutory retirement age to life expectancy.

		learning should help increase labour market participation of older workers and should be continued.	
	3. Take further steps to reform, in consultation with the social partners and in accordance with national practice, the **wage bargaining and wage indexation system,** with a view to preserve the competitiveness of the Luxembourg economy in the longer term, as a first step by maintaining the current one-year indexation.	**Limited progress** The measures taken by Luxembourg so far are only temporary: the indexation system is being modulated between 2012 and 2014. Luxembourg should take further measures to reform the system in itself to avoid future loss of competitiveness. A better link between wages and productivity could be achieved by introducing in a permanent way a link between wage and productivity and sectoral differentiation in the wage bargaining system.	**4.** Beyond the current freeze, take **further structural measures**, in consultation with the social partners and in accordance with national practices, to reform the **wage setting system, including wage indexation**, to improve its responsiveness to productivity and sectoral developments and labour market conditions and foster competitiveness. Step-up efforts to **diversify the structure of the economy**, fostering private investment in research, notably by developing cooperation between public research and firms
	4. Continue efforts to reduce **youth unemployment** by reinforcing stakeholders' involvement, and by strengthening training and education measures, in particular for those with low education levels, with the aim of better matching young people's skills and qualifications to labour demand.	**Limited progress** Luxembourg has taken a number of relevant measures to tackle youth unemployment which seem to point in the right direction but so far these have been only partially implemented. There is still the need of a coherent strategy. A stronger collaboration between administration levels (state, municipalities) and a more efficient use of employment services would produce better results. In order to address the skill mismatch, there is a need to provide guidance to pupils to an earlier age, already in the low secondary school.	**5.** Step up efforts to reduce **youth unemployment** by improving the design and monitoring of active labour market policies. Strengthen general and **vocational education** to better match young people’s skills with labour demand, in particular for people with migrant background. Take resolute action to increase the participation rate of older workers, including by improving their employability through lifelong learning.
	5. Ensure that the targets for **reducing greenhouse gas emissions** from non-ETS (Emissions Trading System) activities will be met, in particular by increasing taxation on energy products.	**Limited progress** Excise duties on diesel were increased in 2012. The 2013 budget law includes an increase of the excise duties on diesel oil. Incentives for the purchase of emission-efficient cars have been restricted and now apply to a smaller group of vehicles than they previously did. The CO2-related vehicle tax only provides moderate incentives for the purchase of clean vehicles.	**6.** Step up measures to meet the target for **reducing non-ETS greenhouse gas emissions**, in particular by increasing taxation on energy products for transport.

HU	Country Specific Recommendations 2012 **MIP: 1, 3, 4, 5**	Assessment of implementation of CSR 2012 (based on COM staff documents)	Draft Country Specific Recommendations 2013 **MIP: 1, 2, 3, 4, 5, 7**
	1. **Correct the excessive deficit** by 2012 in a durable manner, by implementing the 2012 budget and the subsequently approved consolidation measures, while reducing the reliance on one-off measures. Thereafter, specify all structural measures necessary to ensure a durable correction of the excessive deficit and to make sufficient progress towards the MTO, including meeting the expenditure benchmark, and ensure sufficient progress towards compliance with the **debt reduction** benchmark. Also to help mitigate the accumulated macroeconomic imbalances, put the public debt ratio on a firm downward path.	**Broadly implemented.** Most of the budgeted consolidation measures and additional ones announced in the course of the year were rigorously implemented in 2012, which was the deadline for Hungary to bring the excessive deficit to an end. As a result, the deficit came out at 1.9% of GDP, well below the Council endorsed deficit target of 2.5% of GDP. The structural effort, corrected for the effects of revised potential output growth and windfall revenues compared to the time the Council recommendation was issued, is estimated to be at 3.5% of GDP in 2012, which substantially exceeds the recommended effort of 2.4% of GDP. The public debt ratio decreased from 81.4% in 2011 to 79.2% GDP in 2012. On 13 May, following the release of the 2013 spring forecast, the government adopted further corrective measures of 0.3% of GDP for 2013 and 0.7% of GDP for 2014 (in gross terms) in order to keep the deficit both in 2013 and 2014 below the 3% of GDP reference value.	**1.** Implement a credible and **growth friendly fiscal strategy** by specifying the necessary measures focusing on expenditure savings and preserve a sound fiscal position in compliance with the medium-term objective over the programme horizon. Building on the above steps, put the **general government debt** ratio on a firm downward path, also with a view to mitigating the accumulated macroeconomic imbalances. Enhance the **medium-term budgetary framework** by making it more binding and by closely linking it to numerical rules. Broaden the mandatory remit of the **Fiscal Council**, including through systematic ex-post monitoring of compliance with numerical fiscal rules as well as the preparation of regular macro-fiscal forecasts and budgetary impact assessments of major policy proposals.
	2. Revise the cardinal law on economic stability by putting the new **numerical rules** into a binding medium-term budgetary framework. Continue to broaden the analytical remit of the **Fiscal Council**, with a view to increasing the transparency of public finances.	**Partially implemented.** There was no change to the medium-term budgetary framework (MTBF), which is purely indicative. Hungary would benefit from a revised general (central) government numerical rule whose design focuses on the structural deficit, as this would be more conducive to effective multi-year planning. The Hungarian authorities are of the opinion that the numerical rules (linking debt reduction to economic growth) that are currently in place are well-founded and appropriately strict, but they acknowledged that	

		strengthening the MBTF is necessary to make it binding, at least to some extent (related amendments are planned to be submitted to parliament before the autumn session, as part of the package on transposing the Directive on the minimum requirements of national budgetary frameworks). As for institution building, an amendment to the cardinal law was adopted in September 2012 and reinforced the Fiscal Council (FC) both in terms of tasks and resources. It is crucial to monitor whether the on-going reinforcement of the FC will make it strong enough to be able to perform its analytical role.	
			2. Help **restore normal lending** to the economy primarily by improving the capacity for capital accumulation in the **financial sector**, inter alia by lowering the extra burden currently imposed on it. Improve portfolio quality by **removing bad assets** from banks' balance sheets, closely consult stakeholders on new policy initiatives and make sure that new policy measures do not increase moral hazard among borrowers. Enhance **financial regulation and supervision**, notably by giving more effective emergency powers to the Hungarian Financial Supervisory Authority and by establishing a bank resolution regime.
	3. Make the **taxation of labour** more employment-friendly by alleviating the impact of the 2011 and 2012 tax changes on low earners in a sustainable, budget-neutral manner, for example by shifting part of the tax burden to energy taxes and recurrent taxes on property. Strengthen measures to encourage women's **participation in the labour market**, particularly by expanding childcare and pre-school facilities.	**Partially implemented.** The Job Protection Act, which came into force in 2013, is an adequate step towards last year's CSR because it lowers social contributions for certain categories of workers, thus reducing the tax wedge. However, it does not efficiently target low-income earners as the criteria are not set on the basis of income. Therefore, a non-negligible share of lower productivity workers does not have access to the programme. At the same time, as a no-income ceiling is applied, certain groups of high income earners are also eligible for contribution cuts. In 2012, the government	**3.** Ensure a stable, more balanced and predictable **corporate tax system**. Streamline corporate taxation and minimise distortions of resource allocation created by sector-specific taxes, so as to foster growth and employment. Continue making **taxation of labour** more employment-friendly by alleviating the tax burden on low-wage earners, inter alia by refining the eligibility criteria for the Job Protection Act, and by **shifting taxation** away to environmental taxes. Fully implement and step up the already announced measures to improve tax compliance and reduce the cost of tax

		implemented several measures aimed at further improving the labour market participation of women.	compliance.
	4. Strengthen the capacity of the **Public Employment Service** to increase the quality and effectiveness of training, job search assistance and individualised services, with particular regard for disadvantaged groups. Strengthen the activation element in the public work scheme through effective training and job search assistance. Implement the National Social (Roma) Inclusion Strategy, and mainstream it with other policies.	**Partially implemented.** The government strengthened active labour market policies and the capacities of the Public Employment Service. However, the public work scheme is still a major pillar of employment policy. Although training was planned as part of the scheme, it was poorly implemented While a system to monitor the social inclusion strategy was presented, mid-term targets were set only in part. Although a number of targeted measures are available to help disadvantaged people get access to education, mainstream education policy does not seem to appropriately address the needs set out in the National Social Inclusion Strategy.	**4.** Address **youth unemployment**, for example through a **Youth Guarantee**. Strengthen active labour market policy measures and enhance the client profiling system of the **Public Employment Service**. Reduce the dominance of the public works scheme within employment measures and strengthen its activation elements. Reinforce training programmes to boost participation in lifelong learning. Continue to expand **child-care facilities** to encourage women's participation. Ensure that the objective of the National Social Inclusion Strategy is mainstreamed in all policy fields in order to reduce poverty, particularly among children and Roma.
	5. Implement measures envisaged to reduce the **administrative burden**. Ensure that public procurement and the legislative process support market competition and ensure a stable regulatory and **business-friendly environment** for financial and non-financial enterprises, including foreign direct investors. Reduce tax compliance costs and establish a stable, lawful and non-distortive framework for corporate taxation. Remove unjustifiable restrictions on the establishment of large-scale retail premises. Provide specific well-targeted incentive schemes to support innovative SMEs in the new innovation strategy.	**Partially implemented**, but no progress was achieved on improving the business environment. The system of applying special taxes to certain sectors and the restriction of large-scale retail enterprises has been maintained. Entry costs in the service sector have increased further. The bulk of measures aimed at reducing the administrative burden has slowed down somewhat. By mid-2013, 93 measures have been adopted, but further delay is expected. Low level of competition in public procurement persists, although a new law entered into force on 1 January 2012. The new innovation strategy was drafted and a consultation was launched at the end of 2012.	**5.** Create a **supportive business environment**, in particular restore an attractive environment for **foreign direct investors**, by making the regulatory framework more stable and by fostering market competition. Ensure the prompt implementation of measures envisaged to **reduce the administrative burden**, improve competition in **public procurement** and take adequate measures to tackle corruption. Address concerns about the **independence of the judiciary.** Remove recently introduced barriers in the services sector, including in retail services. Provide targeted incentives to support innovative enterprises.
	6. Prepare and implement a **national strategy on early school-leaving** by ensuring adequate financing. Ensure that the implementation of the	**Limited progress.** The early school leaving strategy will only be ready at the end of 2013. The government has	**6.** Implement a national strategy on **early school-leaving** and ensure that the **education system** provides all young people with labour-

	higher education reform improves access to education for disadvantaged groups.	started implementing some measures embedded in the National Public Education Act, but results are not visible yet. Exclusion from quality education is a major problem for Roma children. The number of Romamajority schools has increased, but their quality of education remains below average. The tertiary education strategy and thus the entire higher education reform is not clear on its mid-term strategy and the uncertainties around state-financed places and additional loan schemes further limit access of disadvantaged youth to tertiary education. Hungary's tertiary attainment rate is increasing, due to the substantial expansion of higher education between 2002 and 2010. However, current policy developments might lead to a decrease of the number of students in higher education.	market-relevant skills, competences and qualifications. Improve access to inclusive mainstream education, in particular for Roma. Support the transition between different stages of education and towards the labour market. Implement a **higher-education reform** that enables greater tertiary attainment, particularly by disadvantaged students.
	7. Reform the **public transport system** to make it more cost efficient. Increase the cross-border capacities of the electricity network, ensure the independence of the **energy regulator** and gradually abolish regulated energy prices.	**Limited progress.** Implementation of the reform in the transport sector is slow at best. The policy response is not sufficiently clear and precise, which raises questions about the reform's credibility. Increasing cross-border electricity capacities is ongoing. Independence of the National Regulator is still an issue, as are regulated prices, with decisions on which powers should be re-delegated to the regulator being made at ministry level.	**7.** Gradually abolish **regulated energy pric**es while ensuring the effective protection of economically vulnerable consumers. Take further steps to ensure the **independence of the national regulator**. Ensure the financial sustainability of **state owned enterprises** in the transport sector by reducing operational costs and increasing revenues.

MT	Country Specific Recommendations 2012	Assessment of implementation of CSR 2012 (based on COM staff documents)	Draft Country Specific Recommendations 2013 **MIP: 2, 5**
	1. Reinforce the budgetary strategy in 2012 with additional permanent measures so as to ensure **adequate progress towards the MTO and keep the deficit below 3 % of GDP without recourse to one-offs.** Continue fiscal consolidation at an appropriate pace thereafter, so as to **make sufficient progress towards the MTO**, including meeting the expenditure benchmark, and towards compliance with the **debt reduction** benchmark, by specifying the concrete measures to back up the deficit targets from 2013, while standing ready to take additional measures in case of slippages. Implement, by end-2012 at the latest, a binding, rule-based multi-annual fiscal framework. **Increase tax compliance and fight tax evasion**, and reduce incentives towards indebtedness in corporate taxation.	**Not been implemented.** The 2012 outturn was worse than targeted and above the 3%-of-GDP reference value. In addition, not all measures that underpin the strategy from 2013 onwards are outlined in the programme. The programme plans a broadly appropriate pace of adjustment towards the medium-term objective and a gradual decrease in the debt ratio after 2014. By contrast, the Commission services' 2013 spring forecast projects only a marginal improvement in the structural balance and a continued upward path for the debt ratio in 2013-14. No concrete action has been taken to reform the fiscal framework or to address the debt bias in corporate taxation. Some progress has been made in increasing tax compliance and fighting tax evasion, but concrete results are yet to materialise.	**1.** Specify and implement the measures needed to achieve the annual structural adjustment effort set out in the Council recommendations under the EDP in order to **correct the excessive deficit by 2014** in a sustainable and growth-friendly manner, limiting recourse to one-off/temporary measures. After correcting the excessive deficit, pursue the **structural adjustment effort** at an appropriate pace so as to **reach the MTO by 2017.** Put in place a binding, rule-based multiannual fiscal framework in 2013. Ensure concrete delivery of measures taken to **increase tax compliance** and fight tax evasion, and take action to **reduce the debt bias in corporate taxation.**
	2. Take action, without further delay, to ensure the long-term sustainability of the **pension system**, comprising an increase in the effective retirement age, including through a significant acceleration of the progressive increase in the statutory **retirement** age compared to current legislation and through a clear link between the statutory retirement age and life expectancy, and measures to encourage private pension savings. Take measures to increase the participation of older workers in the labour force and discourage the use of early retirement schemes.	**No progress in the implementation of this CSR in terms of the pension system reform.** There has been only limited progress in terms of attracting older workers onto the labour market. The fiscal incentives put in place, together with the current pension reform, have helped in increasing the labour market participation of older workers, although this age group still has vast growth potential. An active ageing strategy is yet to be delivered.	**2.** To ensure the long-term sustainability of public finances, **reform the pension system** to curb the projected increase in expenditure, including by accelerating the increase in the statutory retirement age, by introducing a link between the statutory retirement age and life expectancy and by encouraging private pension savings. Take measures to increase the employment rate of older workers by developing and implementing a **comprehensive active ageing strategy**. Pursue **health-care reforms** to increase the cost-effectiveness of the sector, in particular by strengthening public primary care provision. Improve the efficiency and reduce the length of **public procurement** procedures.
	3. Take steps to reduce the high rate of **early**	**Some progress**	**3.** Continue to pursue policy efforts to reduce

	school leaving. Pursue policy efforts in the **education system** to match the skills required by the **labour market**. Enhance the provision and affordability of more childcare and out-of-school centres, with the aim of reducing the gender employment gap.	The measures against early school leaving already in place seem to be pointing in the right direction. However, the issue remains an area of concern and scope for further action remains. Due to the long-term nature of many measures to promote skill matching, it is too early to assess their impact, but the general principles seem to go in the right direction. Malta is also positively addressing the issue of childcare provision and out-of-school facilities.	**early school leaving**, notably by setting up a comprehensive monitoring system, and increase the labour-market relevance of education and training to address skills gaps, including through the announced **reform of the apprenticeship system**. Continue supporting the improving labour-market participation of women by promoting flexible working arrangements, in particular by enhancing the provision and **affordability of child-care** and out-of-school centres.
	4. Take the necessary further steps to reform, in consultation with social partners and in accordance with national practices, the **system of wage bargaining and wage indexation,** so as to better reflect developments in labour productivity and reduce the impact of prices of imports on the index.	**No progress.**	
	5. In order to reduce **Malta's dependence on imported oil**, step up efforts to promote energy efficiency and increase the share of energy produced from renewable sources by carefully monitoring the existing incentivising mechanisms and by prioritising the further development of infrastructure, including by completing the electricity link with Sicily.	**Limited progress.** Although the focused structural funds on energy production covered by the ETS and the RES headline target, it moved them away from tackling non-ETS sectors where emissions are increasing beyond the committed target. It is expected that the Interconnector project will be implemented by the end of 2013. Although Malta might face problems in implementing some of the wind projects, there is certainly scope to promote other RES.	**4.** Continue efforts to **diversify the energy mix** and energy sources, in particular through increasing the take up of renewable energy and the timely completion of the electricity link with Sicily. Maintain efforts to **promote energy efficiency and reduce emissions** from the transport sector.
	6. To strengthen the **banking sector**, take measures to mitigate potential risks arising from the large exposure to the real estate market. Take measures to further strengthen the provisions for loan impairment losses.	**Some progress.** The two national regulators, Central Bank of Malta and the Malta Financial Services Authority, have started talks on reforms of the Banking Act. The planned measures are relevant, but they are still at the drafting stage.	**5.** Take measures to further strengthen the provisions for loan-impairment losses in the **banking sector** to mitigate potential risks arising from exposure to the real estate market. Maintain policy effort to ensure **strict banking sector supervision**, including for the non-core domestic and internationally-oriented banks. Improve the overall efficiency of the **judicial system**, for example by reducing the time

			needed to resolve insolvency cases.

NL	Country Specific Recommendations 2012	Assessment of implementation of CSR 2012 (based on COM staff documents)	Draft Country Specific Recommendations 2013 MIP: 2
	1. Ensure timely and durable **correction of the excessive deficit**. To this end, fully implement the budgetary strategy for 2012 as envisaged. Specify the measures necessary to **ensure implementation of the 2013 budget with a view to ensuring the structural adjustment effort specified in the Council recommendations** under the excessive deficit procedure. Thereafter, ensure an **adequate structural adjustment effort to make sufficient progress towards the MTO**, including meeting the expenditure benchmark, and ensure sufficient progress towards compliance with the **debt reduction** benchmark whilst protecting expenditure in areas directly relevant for growth such as research and innovation, education and training. To this end, **after the formation of a new Government, submit an update of the 2012 Stability Programme** with substantiated targets and measures for the period beyond 2013.	**Partially implemented** The authorities fully implemented the budgetary strategy for 2012 and submitted an update of the 2012 Stability Programme. Herein, they specified substantiated targets and measures for the period 2013 and beyond, that were also foreseen to bring the general government deficit below 3% of GDP in 2013 and to ensure the structural adjustment effort specified in the Council recommendation under the excessive deficit procedure. However, according to the Commission Services' 2013 Spring Forecast the deficit is expected to reach 3.6% of GDP, due to unfavourable economic developments. In 2014 the deficit is expected to remain above the 3% of GDP threshold without additional measures. According to the 2013 stability programme sufficient progress towards the MTO, including meeting the expenditure benchmark and sufficient progress towards compliance with the debt reduction benchmark, are not guaranteed.	**1.** Reinforce and implement the budgetary strategy, supported by sufficiently specified measures, for the year 2014 and beyond to ensure a timely **correction of the excessive deficit by 2014** in a sustainable manner and achieve the structural adjustment effort specified in the Council recommendations under the EDP. **Protect expenditure in areas directly relevant for growth** such as education, innovation and research. After the correction of the excessive deficit, **pursue the structural adjustment effort that will enable the Netherlands reaching the medium-term objective by 2015.**
	2. Take measures to increase the statutory **retirement age**, including linking it to life expectancy, and underpin these with labour market measures to support raising the effective retirement age, whilst improving the long-term sustainability of public finances. Adjust the second **pension pillar** to mirror the increase in the statutory retirement age, while ensuring an appropriate intra- and inter-generational division of costs and risks. Implement the planned reform in **long-term care** and complement it with further	**Partially implemented** The statutory retirement age has been increased and will be linked to life expectancy. The lowering and eventual abolition of the partner allowance in the first-pillar pension is expected to have a positive effect on older workers participation in the labour market and might therefore stimulate an increase the effective retirement age. Loosening employment protection legislation and	**3.** Adjust the second **pension pillar**, in consultation with social partners, to ensure an appropriate intra- and inter-generational division of costs and risks. Underpin the gradual increase of the statutory **retirement age** with measures to increase the employability of older workers. Implement the planned reform of the **long-term care system** to ensure its cost-effectiveness and complement it with further measures to contain the increase in costs, with a view to ensure sustainability.

	measures to contain the increase in costs, in view of an ageing population.	making unemployment benefits less generous is expected to increase older workers' labour mobility, and might therefore contribute to labour participation, the effective retirement age and the sustainability of public finances. However, these reforms have been watered down or postponed based on the agreement reached with the social partners. Reforms to the second pension pillar, to mirror the increase in statutory retirement age are implemented.	
	3. Enhance **participation in the labour market**, particularly of older people, women, and people with disabilities and migrants, including by further reducing tax disincentives for second-income earners, fostering labour market transitions, and addressing rigidities.	**Partially implemented** The Participation Act could reduce the number of people on benefits by stimulating them to work, and hence will contribute to budget savings. The phasing-out of the transferrable tax credit for single-breadwinner families is likely to contribute to the participation of second-income earners, although it is to be phased out very slowly The increase in the general worker tax credit should make work more attractive and thereby promote labour market participation. Loosening of employment protection legislation and making unemployment benefits less generous is expected to increase individual labour mobility, and ultimately contribute to labour market participation. However, these reforms have been watered down or postponed further to the agreement reached with the social partners.	**4.** Take further measures to enhance **participation in the labour market**, particularly of people at the margin of the labour market. Continue to **reduce tax disincentives on labour**, including by a faster phasing-out of transferable tax credits for second income earners. Foster labour market transitions and **address labour market rigidities**, including by accelerating the reform of employment protection legislation and the unemployment benefit system.
	4. Promote **innovation,** private **R&D** investment and closer science-business links, as well as foster industrial renewal by providing suitable incentives in the context of the enterprise policy, while safeguarding accessibility beyond the strict definition of top sectors and preserving fundamental research.	**Good progress** in the implementation of the top sectors business strategy which addresses challenges for research and innovation mentioned in this CSR. However, in view of the latest budgetary measures, safeguarding of funding for fundamental research in line with priorities set out in the Annual Growth Survey	

		does not appear certain.	
	5. Take steps to gradually reform the **housing market**, including by: (i) modifying the favourable tax treatment of home ownership, including by phasing out mortgage interest deductibility and/or through the system of imputed rents, (ii) providing for a more market-oriented pricing mechanism in the rental market, and (iii) for social housing, aligning rents with household income.	The legislative changes on eligibility for mortgage interest deductibility are welcome as a first step in the right direction, but need to be stepped up for the stock of existing mortgages. The planned reforms for the rental housing market are equally relevant, but fall short of full implementation of the CSR.	**2.** Step up efforts to gradually reform the **housing market** by accelerating the planned reduction in **mortgage interest tax deductibility** and by providing for a more market-oriented pricing mechanism in the **rental market**, and by further relating rents to household income in the **social housing** sector. Refocus social housing corporations to support households most in need.

AT	Country Specific Recommendations 2012	Assessment of implementation of CSR 2012 (based on COM staff documents)	Draft Country Specific Recommendations 2013
	1. Implement the 2012 budget as envisaged and reinforce and rigorously implement the budgetary strategy for the year 2013 and beyond; sufficiently specify measures (in particular at the sub-national level), to ensure **a timely correction of the excessive deficit** and the achievement of the average annual **structural adjustment effort specified in the Council Recommendations under the EDP**. Thereafter, ensure an adequate structural adjustment effort to **make sufficient progress towards the MTO**, including meeting the expenditure benchmark.	**Substantial progress** Austria made substantial progress in reducing the deficit below 3 % this year. - Revenue raising measures in place. - The planned savings have been achieved in 2012.	**1.** Implement the budget for the year 2013 as envisaged so as to correct the excessive deficit in a sustainable manner and **achieve the structural adjustment effort specified in the Council recommendations under the Excessive Deficit Procedure**. After correction of the excessive deficit, pursue the structural adjustment effort at an appropriate pace so as to **reach the MTO by 2015**. Streamline fiscal relations between layers of government, for example simplifying the organisational setting and aligning spending and funding responsibilities.
	2. Take further steps to strengthen the **national budgetary framework** by aligning responsibilities across the federal, regional and local levels of government, in particular by implementing concrete reforms aimed at improving the organisation, financing and efficiency of healthcare and education.	**Some progress** The recent agreement on a cost containment path and a common target system for the healthcare system is an important step towards more efficient use of resources. However, implementation will rely on a complex mechanism which constitutes a risk. No major reforms to the governance of the education system have been implemented. In order to achieve progress in this area a change of the constitution is required.	
	3. Bring forward the harmonisation of the statutory **retirement age** between men and women; enhance older workers' employability and monitor closely the implementation of the recent reforms restricting access to early exit channels in order to ensure that the effective retirement age is rising including through linking the statutory retirement age to life expectancy.	**Partial implementation** No action has been taken to bring forward the harmonisation of the statutory retirement age between men and women and to link the statutory retirement age to life expectancy. The reforms targeting early retirement and invalidity pension schemes have the potential to reduce early retirement over the medium term. The success will depend on effective implementation, in particular of the measures to improve the	**2.** Bring forward the harmonisation of pensionable age for men and women, link the statutory **retirement age** to life expectancy, implement and monitor the recent reforms restricting access to early retirement and improve older workers' employability in order to raise the effective retirement age and the employment rate of older workers.

		employability including 'professional rehabilitation'/re-skilling measures, for which substantial new funds have been allocated.	
	4. Take steps to **reduce the effective tax and social security burden on labour** especially for low income earners with a view to increasing employment rates for older persons and women given the need to counteract the impact of demographic change on the working population. Shift the tax burden in a budgetary neutral way, towards real estate taxes, and environmental taxes. Reduce the high gender pay gap and enhance full-time employment opportunities for women, in particular through the provision of additional care services for dependants.	**Partial implementation** No measures have been taken in order to shift taxation from labour towards tax bases less detrimental to GDP growth. Almost no measures have been taken to increase recurrent property taxation. In the area of environmental taxation, the CO2-based bonus/malus system for car registration tax was tightened and reimbursement to farms and regional bus operators was abolished. In addition the exemption from the tax for railway was terminated as of tax year 2013 and tax exemptions to service industry on the energy levy have been phased out. No new measures have been taken to reduce the gender pay gap. Some additional funds have been made available for childcare.	**3**. Take new measures to increase the **labour market** participation of women, namely by further improving child care and long-term care services and address the high gender pay and pension gaps. Fully use the labour market potential of people with a migrant background by improving the recognition of their qualifications and their education outcomes. Reduce the **effective tax** and social security burden on labour for low-income earners in a budget-neutral way by relying more on other sources of taxation less detrimental to growth, such as recurrent property taxes.
	5. Continue to implement measures to improve educational outcomes, especially of disadvantaged young people. Take measures to **reduce drop-outs** from higher education.	**Partial implementation** Austria has taken some measures, which have the potential to enhance education outcomes, but progress is slow. Some measures have been taken to reduce drop-outs from higher education, but a more comprehensive and strategic approach is still needed.	**5**. Improve educational outcomes, in particular of disadvantaged young people, including by enhancing early childhood education and reducing the negative effects of early tracking. Further improve strategic planning in higher education and enhance measures to **reduce drop-outs**.
			4. Effectively implement **the recent reforms of the health care system** to make sure that the expected cost efficiency gains materialise. Develop a financially sustainable model for the provision of long-term care and put a stronger focus on prevention, rehabilitation and independent living.

	6. Take further steps to **foster competition**, in the services sectors, by removing barriers to market entry in the communications, transport and energy retail markets. Where unjustified restrictions on access to liberal professions exist, they should be removed. Enhance the powers of the federal competition authority and speed up the implementation of the competition law reform.	**Partial implementation** Austria has transposed the consumer-related provisions of the third internal energy market package into law. New rules have simplified the switching procedures for electricity and gas consumers. Postal services: substantial progress with the replacement of mail delivery has been made, but the process has not been finalised. Austria has not taken any particular steps to foster competition in the rail markets. Restrictions on access to and exercise of the professions in the services sector persist in Austria,. A change of the competition law was recently adopted that will strengthen the powers of the Austrian Competition Authority.	**6**. Further strengthen the powers and resources of the **federal competition authority** and monitor the implementation of the competition law reform. Remove excessive barriers for service providers. This includes reviewing whether existing restrictions on entry and conduct in regulated professions are justified by general interest and fostering competition notably in the railway sector.
	7. Further restructure and continue to monitor those banks that benefited from public support, while avoiding excessive deleveraging. Further improve the cooperation and coordination of national policy decisions with **financial sector** supervisors in other countries.	**Some progress** Progress has been made as regards the restructuring of (partially) nationalised banks (Volksbanken and Hypo Alpe Adria). Home-host supervisory coordination has been enhanced. Nevertheless, not all vulnerabilities have been reduced.	

PL	Country Specific Recommendations 2012	Assessment of implementation of CSR 2012 (based on COM staff documents)	Draft Country Specific Recommendations 2013
	1. Ensure planned progress towards the **correction of the excessive deficit**. To this end, fully implement the budget for the year 2012 and **achieve the structural adjustment effort specified in the Council recommendations under the EDP**. Thereafter, specify the measures necessary to ensure implementation of the **budgetary strategy** for the year 2013 and beyond as envisaged, ensuring an adequate structural adjustment effort to **make sufficient progress towards the MTO**, including meeting the expenditure benchmark. Minimise cuts in growth-enhancing expenditure in the **future and improve tax compliance.**	**Limited progress** Poland did not correct the excessive deficit in 2012, which came in at 3.9% of GDP. It made very limited progress in minimising cuts in growth enhancing expenditure as significant part of deficit reduction comes from cuts in investments. The same applies to tax compliance — tax compliance rules will be relaxed as, upon taxpayer's request, the tax authorities will have to reduce the tax advances payable and tax base will be broadened.	**1.** Reinforce and implement the budgetary strategy for the year 2013 and beyond, supported by sufficiently specified measures for both 2013 and 2014, to ensure a timely **correction of the excessive deficit by 2014** in a sustainable manner and the achievement of the fiscal effort specified in the Council recommendations under the EDP. A durable correction of the fiscal imbalances requires credible implementation of ambitious structural reforms, which would increase the adjustment capacity and boost potential growth and employment. After the correction of the excessive deficit, pursue the structural adjustment effort that will enable Poland reaching **the medium-term objective by 2016**. With a view to **improving the quality of public finances** minimise cuts in growth-enhancing investment, reassess expenditure policies improving the targeting of social policies and increasing the cost effectiveness and efficiency of spending in the healthcare sector. Improve tax compliance, in particular by increasing the **efficiency of the tax administration**.
	2. Speed up the reform of the fiscal framework by enacting legislation with a view to introducing a **permanent expenditure rule** by 2013. This rule should be consistent with the ESA. Take measures to strengthen the **mechanisms of coordination among the different levels of government** in the medium-term and annual budgetary processes.	**Limited progress** The permanent expenditure rule is still pending and the government plans to enact it by the end of 2013. The current draft is not consistent with ESA. Very limited progress on strengthening mechanisms of coordination among different levels of government, government argues that no further effort required.	**2.** Ensure the enactment of a **permanent expenditure rule** in 2013 consistent with the rules of the European System of Accounts. Take measures to strengthen annual and medium-term budgetary **coordination mechanisms among different levels of government.**
	3. To reduce **youth unemployment**, increase the availability of apprenticeships and work-based learning, improve the quality of vocational	**Some progress** While efforts have been undertaken to reduce	**3.** Strengthen efforts to reduce **youth unemployment**, for example through a Youth Guarantee, increase the availability of

	training and adopt the proposed **lifelong learning strategy**. Better match **education** outcomes with the needs of the labour market and improve the quality of teaching. To combat **labour market segmentation** and in-work poverty, limit excessive use of civil law contracts and extend the probationary period to permanent contracts.	youth unemployment, they should have been more ambitious given the scale of the challenge. Poland has introduced several reforms in the area of education and training. There need to be more efforts to enhance better cooperation between companies and schools and to raise the quality of the teaching offer. Improving the access to apprenticeships and work-based learning remains a priority. The adoption of the lifelong learning strategy is pending.	apprenticeships and work-based learning, strengthen cooperation between schools and employers and improve the quality of teaching. Adopt the proposed **life-long learning strategy.** Combat in-work poverty and **labour market segmentation** through better transition from fixed-term to permanent employment and by reducing the excessive use of civil law contracts.
	4. Reinforce efforts to increase the **labour market participation of women** and raise enrolment rates of children in both early childcare and pre-school education, by ensuring stable funding and investment in public infrastructure, the provision of qualified staff, and affordable access. Tackle entrenched practices of early **retirement** to increase exit ages from the labour market. Phase out the special pension scheme for miners with a view to integrating them into the general scheme. Take more ambitious, permanent steps to reform the **KRUS** to better reflect individual incomes.	**Some progress** The number of childcare places is growing, but the offer of nurseries remains far too low to satisfy the needs. Poland has set a target to offer a place in preschool education for every eligible child by 2016 but the funding to meet this target has not been increased. The Government proposal to extend the parental leave to 12 months could make it more difficult for mothers to come back onto the labour market and will also absorb substantial costs. A permanent and credible reform of KRUS still needs to be implemented. The draft Law reducing early retirement possibilities only for miners working underground has not yet been adopted.	**4**. Continue efforts to increase **female labour market participation,** in particular by investing in affordable quality childcare and pre-school education, by ensuring stable funding and qualified staff. With a view to improving sectorial labour mobility, take permanent steps to reform the farmers' social security scheme **KRUS**. Phase out the special pension system for miners with a view to integrating them into the general scheme. Underpin the general pension reform with measures promoting the employability of older workers to **raise exit ages** from the labour market.
	5. Take additional measures to ensure an **innovation-friendly business environment**, by ensuring better links between research, innovation and industry, and by establishing common priority areas and instruments supporting the whole innovation cycle; improve access to finance for research and innovation activities through guarantees and bridge financing.	**Limited progress** The reform of science and higher education has been a step in the right direction but only partially addresses the problem of poor innovation performance of Polish companies through fostering science-industry cooperation. More holistic approach is needed linking efforts under research, innovation and industry policy. There are no new initiatives in terms of facilitating access to finance.	**5**. Take additional measures to ensure an **innovation-friendly business environment** by strengthening the links between research, innovation and industrial policy, by further developing revolving instruments and tax incentives and by better targeting existing instruments to the different stages of the innovation cycle.
	6. Step up efforts to improve incentives for **investment in energy generation capacity** and energy efficiency in the whole energy chain, speed up the development of the **electricity**	**Some progress** Most of the measures in this sector are only at the preparation stage and therefore the outcome is unclear. However, in both electricity and gas	**6**. Renew and extend **energy generation capacity** and improve efficiency in the whole energy chain. Speed up and extend the development of the **electricity grid, including**

	grid, including cross-border interconnections, eliminate obstacles in electricity cross border exchange, and strengthen **competition in the gas sector** by phasing out regulated prices and by creating a gas trading platform. Strengthen the role and resources of the railway market regulator and ensure effective and swift implementation of **railway investment** projects. Reduce restrictions on professional services and simplify contract enforcement and requirements for construction permits.	sector some progress has been noticed, with launch of some projects in development and upgrade of the electricity grid and gas trading platform opened in December 2012. Railway investment projects are still largely delayed Poland has set a serious reform agenda to eliminate or reduce qualification requirements for up to 230 professions, although the reform is behind schedule. Concerning energy efficiency, there was some progress in 2012 mainly as regards investments in energy efficiency of public buildings using support from ERDF. However, in the view of the large needs for energy efficiency improvements in all sectors of economy, it may be necessary to consider a major increasing of energy efficiency allocations under the future financial framework 2014-2020.	**cross-border interconnections,** and eliminate obstacles in electricity cross border exchange. Reinforce **competition in the gas sector** by phasing out regulated prices. Strengthen the role and resources of the railway market regulator and ensure effective implementation of **railway investment** projects without further delay. Accelerate efforts to increase broadband coverage. Improve waste and water management.
			7. Take further steps to improve the business environment by simplifying **contract enforcement** and requirements for construction permits and by reducing tax compliance costs. Adopt and implement the planned liberalisation of access to professional services.

PT	Country Specific Recommendations 2012	Assessment of implementation of CSR 2012 (based on COM staff documents)	Draft Country Specific Recommendations 2013
	Implement the measures as laid down in Implementing Decision 2011/344/EU and further specified in the Memorandum of Understanding of 17 May 2011 and its subsequent supplements.		To avoid duplication with measures set out in the Economic Adjustment Programme, there are no additional recommendations for Portugal.

RO	[Country Specific Recommendations 2012]()	[Assessment of implementation of CSR 2012 (based on COM staff documents)]()	[Draft Country Specific Recommendations 2013]()
	Implement the measures laid down in Decision 2009/459/EC, as amended by Decision 2010/183/EU, together with the measures laid down in Decision 2011/288/EU and further specified in the Memorandum of Understanding of 23 June 2009 and its subsequent supplements, and in the Memorandum of Understanding of 29 June 2011 and its subsequent supplements.		**1**. **Complete the EU/IMF financial assistance programme**.
			2. Ensure growth-friendly **fiscal consolidation** and implement the budgetary strategy for the year 2013 and beyond as envisaged, thus ensuring **achievement of the medium-term objective by 2015**. Improve tax collection by implementing a comprehensive tax compliance strategy and fight undeclared work. In parallel, explore ways to increase reliance on environmental taxes. Equalise the pensionable age for men and women and underpin the pension reform by promoting the employability of older workers.
			3. Pursue **health sector reforms** to increase its efficiency, quality and accessibility, in particular for disadvantaged people and remote and isolated communities. Reduce the excessive use of hospital care including by strengthening outpatient care.
			4. **Improve labour market participation**, as well as employability and productivity of the labour force, by reviewing and strengthening active labour market policies, to provide training and individualised services and promoting lifelong learning. Enhance the capacity of the National Employment Agency to increase the quality and coverage of its services. To **fight**

			youth unemployment, implement without delay the National Plan for Youth Employment, including for example through a Youth Guarantee. To alleviate poverty, improve the effectiveness and efficiency of social transfers with a particular focus on children. Complete the **social assistance reform** by adopting the relevant legislation and strengthening its link with activation measures. Ensure concrete delivery of the National Roma integration strategy
			5. Speed up the **education reform** including the building up of administrative capacity at both central and local level and evaluate the impact of the reforms. Step up reforms in vocational education and training. Further align tertiary education with the needs of the labour market and improve access for disadvantaged people. Implement a national strategy on early school leaving focusing on better access to quality early childhood education, including for Roma children. Speed up the transition from institutional to alternative care for children deprived of parental care.
			6. **Strengthen governance and the quality of institutions and the public administration**, in particular by improving the capacity for strategic and budgetary planning, by increasing the professionalism of the public service through improved human resource management and by strengthening the mechanisms for coordination between the different levels of government. Significantly improve the quality of regulations through the use of impact assessments, and systematic evaluations. Step up efforts to accelerate the absorption of EU funds in particular by strengthening management and control systems and improving public procurement
			7. **Improve and simplify the business environment** in particular through reducing

			administrative burdens on SMEs and implementing a coherent e-government strategy. Ease and diversify access to finance for SMEs. Ensure closer links between research, innovation and industry, in particular by prioritising research and development activities that have the potential to attract private investment. Step up efforts to improve the quality, independence and efficiency of the judicial system in resolving cases and fight corruption more effectively.
			8. Promote **competition** and efficiency in network industries, by ensuring the independence and capacity of national regulatory authorities, and by continuing the corporate governance reform of state-owned enterprises in the energy and transport sectors. Adopt a comprehensive long-term transport plan and improve broadband infrastructure. Continue to remove regulated gas and electricity prices and improve energy efficiency. Improve the cross-border integration of energy networks and speed up implementation of the gas interconnection projects.

SI	Country Specific Recommendations 2012 **MIP: 3, 6, 7**	Assessment of implementation of CSR 2012 (based on COM staff documents)	Draft Country Specific Recommendations 2013 **MIP: 1,2,3,4,5,6,7,8,9**
	1. Implement the 2012 budget, and reinforce the budgetary strategy for 2013 with sufficiently specified structural measures, standing ready to take additional measures so as to ensure a correction of the **excessive deficit in a sustainable manner by 2013** and the achievement of the structural adjustment effort specified in the Council recommendations under the excessive deficit procedure. Thereafter, ensure an adequate structural adjustment effort to **make sufficient progress towards an appropriate MTO** for the budgetary position, including meeting the expenditure benchmark. Strengthen the medium-term budgetary framework, including the expenditure rule, by making it more binding and transparent.	**Partially implemented**. The May 2012 Act on Balancing Public Finances underpinning the 2012 supplementary budget has contributed to a significant improvement in the structural balance by 2.0% of GDP in 2012 and its positive budgetary implications continue into 2013. The 2013 budget introduced new revenue increasing measures. According to the Commission's 2013 Spring Forecast, Slovenia is not expected to correct the excessive deficit by 2013. Limited progress has been achieved in other components of CSR1. The authorities have not set an appropriate MTO. Parliament adopted a constitutional basis for establishing a general government budget balance/surplus rule in structural terms, but no other action has been taken to strengthen the medium-term budgetary framework.	**1**. For the year 2013 and beyond, implement and reinforce the budgetary strategy, supported by sufficiently specified structural measures, to ensure the correction of **the excessive deficit by 2015** in a sustainable manner and the improvement of the structural balance specified in the Council recommendation under the EDP. After the correction of the excessive deficit, pursue a structural adjustment effort that will enable Slovenia to **reach the MTO by 2017**. Durable correction of the fiscal imbalances requires the implementation of ambitious structural reforms, which would increase the adjustment capacity of the economy and boost potential growth and employment. Safeguard growth-friendly spending, adopt measures to improve tax compliance and implement measures on the expenditure side underpinned by systematic reviews of public expenditure at all government levels. To improve the credibility of consolidation, complete the adoption of a general government budget balance/surplus rule in structural terms, **make the medium-term budgetary framework binding, encompassing and transparent, and strengthen the role of independent bodies monitoring fiscal policy by end 2013**. Take measures to gradually reduce the contingent liabilities of the state.
	2. Take urgent steps to ensure the **long-term sustainability of the pension system**, while preserving the adequacy of pensions, by: (i) equalising the statutory retirement age for men and women; (ii) ensuring an increase in the effective retirement age, including through linking the statutory retirement age to life	**Partially implemented**. The pension reform entered into force in January 2013. Different intervention acts have frozen or reduced pension indexation over 2012-2014. The reform addresses challenges identified in the CSR though not sufficiently. It increases and equalises the statutory retirement age for both	**2**. Strengthen **the long-term sustainability of the pension system** beyond 2020 by further adjusting all relevant parameters, including through linking the statutory retirement age to gains in life expectancy, while preserving the adequacy of pensions. Contain age-related expenditure on long-term care and improve

	expectancy; (iii) reducing early retirement possibilities; and (iv) reviewing the indexation system for pensions. Increase the employment rate of older workers also by further developing active labour market policies and lifelong learning measures.	genders; however it does not introduce an automatic link between the increase in life expectancy and statutory retirement age. It reduces early retirement possibilities and proposes changes to the indexation of pensions. No tailor-made lifelong learning or active labour market measures have been adopted to increase employment of older workers.	access to services by refocusing care provision from institutional to home care, sharpening targeting and means-testing of benefits, and reinforcing prevention to reduce disability/ dependency.
	3. Take the required steps to build sufficient capital buffers in the **banking sector** and strongly promote the cleaning of balance sheets so that appropriate lending to productive activities can resume. Obtain fully-fledged third party verification of systemically important banks' stress loan-loss estimates.	**Partially implemented**. Following adoption of reform bills on the recovery of the banking sector, the government has set up the Bank Assets Managing Company (BAMC) and the Bank Stabilisation Fund to repair the state-owned banks. However, the selection of banks and balance sheet cleaning tools still needs to be specified. Jurisdiction of Bank of Slovenia was strengthened so that the Bank of Slovenia can intervene faster. The supervisory and resolution framework has been strengthened, but more measures are required and effective action has to follow.	**4.** Take the necessary steps, with input from European partners, to contract an independent **external adviser by June 2013 to conduct a system-wide bank asset quality review**. Complete this exercise in 2013, with faster progress in the cases of the two banks already subject to the state aid procedure, to accelerate their balance sheet repair. Stand ready to provide additional capital should the asset transfer or asset quality review reveal additional shortfalls. All measures, including objective assessments of capital needs, transfer of **assets to Bank Asset Management Company**, asset protection scheme, operational implementation of the restructuring measures should be implemented in full compliance with state aid rules in case state aid is involved. In parallel, develop by March 2014 and implement a comprehensive sector strategy to ensure arms-length management of reformed banks and to substantially improve governance, risk management and profitability in the sector, including through consolidation where appropriate. Swiftly proceed with preparations for the announced **privatisation of NKBM and establish, by September 2013**, an ambitious timetable for the divestment of direct and indirect state shareholdings of banks. **5**. Review the **bank regulatory framework** by end 2013, and based on this review, strengthen supervisory capacity, transparency and statistical disclosure.

	4. Adjust employment protection legislation as regards permanent contracts in order to reduce **labour market segmentation**, in consultation with social partners and in accordance with national practices. Further tackle the parallel labour market caused by student work.	**Partially implemented**. A reform of employment protection legislation was adopted in March 2013 to reduce labour market segmentation and increase its flexibility. The reform reduces protection of permanent contracts by simplifying dismissal procedures. At the same time the protection of fixed-term contracts is increased to prevent abuse. Whereas the reform goes in the right direction, it remains to be seen whether the reform is sufficiently ambitious to have a significant impact on the labour market segmentation and flexibility. No systemic measures have been taken to address the widespread and unprotected student work available to pupils and students.	**3**. Ensure that wage developments**, including the minimum wage, support competitiveness and job creation**. Monitor closely the effects of the **recent labour market reform** and if necessary identify the areas where further action is needed to foster job creation and tackle segmentation, including through the regulation for student work. Take further measures to increase employment of young tertiary graduates, older persons and the low-skilled by focusing resources on tailor-made active labour market policy measures while improving their effectiveness. **Address the skills mismatch** by improving the attractiveness of the relevant vocational education and training programmes and by further developing cooperation with the relevant stakeholders in assessing labour market needs.
	5. Improve the **matching of skills with labour market demand**, particularly of low-skilled workers and tertiary graduates, and continue reforms of vocational education and training.	**Partially implemented**. A pilot project on how to evaluate labour market needs is being carried out at the Public Employment Service. The first results, which will be used as a basis for policy design, are expected for the second half of 2013. There is only some progress in addressing the skills gap in tertiary education; links with enterprises have not been strengthened. Reforms of vocational education and training show limited progress and the role of employers has not been strengthened.	
	6. Take further steps to strengthen market opening and speed up the reorganisation of professional services. Improve the business environment through: (i) implementing the reform of the **Competition** Protection Office, (ii) establishing a framework for state-owned enterprises guaranteeing arms-length management and high standards of corporate governance, and (iii) improving bankruptcy	**Partially implemented**. A reform of professional services has been launched mid-2012. However, the reform is behind schedule. (i) The Competition Protection Agency (CPA) was established on January 1, 201. (ii) The government abolished the Agency on Managing Capital Assets and replaced it with the	**6**.Accelerate the reform of regulated services, including a significant reduction of entry barriers. **Improve the business environment,** including through ensuring the independence of and providing sufficient and autonomous financing to the **Competition** Protection Agency.

	procedures, in particular in terms of timeliness and efficiency.	new Slovenian Sovereign Holding (SSH). The new holding is intended to consolidate management and ownership of all investments by the Republic of Slovenia and the state funds under one structure and allow for privatisation of some of these assets. (iii) The government adopted an amended law on Financial Operations, Insolvency Proceedings and Compulsory Dissolution Act (ZFPPIPP) in April 2013. The amendments aim at refining definition of insolvency and incentivise management to file for insolvency on time.	
	7. Following consultation with social partners and in accordance with national practice, ensure that **wage growth, including minimum wage adaptation, supports competitiveness and job creation**.	**Partially implemented**. The government has cut nominal gross wage per employee in the public sector by around 3% in 2012 and agreed with social partners to cut the wage bill further in 2013. No measure has been taken to adapt the minimum wage.	
			8. As part of the planned strategy of the government, to be completed by September 2013, classify core and non-core **state assets** according to economic criteria, with a view to divesting non-core assets. Make the **Slovenia Sovereign Holding** (SSH) fully operational in a timely manner, and transfer both ownership and management of all stakes to the SSH, potentially excluding those that are on the list for immediate full privatisation. Ensure professional management of the SSH from the outset, potentially including international expertise, and a clearly defined arms' length relationship with the companies involved. For core stakes, develop sector-specific strategies to improve profitability and corporate governance. Introduce an obligatory and publicly available register of management and supervisory board appointments in state-owned enterprises with requirements for disclosure of interests. Ensure

			that the regulatory framework facilitates divestment of non-core state assets and that administrative hurdles are minimised
			9. Identify and start to work on removing all existing legal and administrative impediments to **sustainable restructuring of over-indebted/undercapitalised but viable companies** through market-based solutions. In this context, take measures to ensure sufficient private burden sharing, to increase private investment, including foreign direct investment, and to achieve efficiency gains in troubled companies as part of the restructuring process. Adopt the necessary **legal framework for out-of-court restructuring by September 2013,** ensuring that it is coherent with the existing provisions on insolvency and provides incentives for both creditors and shareholders to reach out-of-court restructuring agreements. Improve the enforcement of corporate insolvency procedures and in-court settlements, including **swiftly resolving pending court cases related to bankruptcy procedures,** in order to maximise recovery value and to facilitate the timely and efficient resolution of non-performing loans.

SK	Country Specific Recommendations 2012	Assessment of implementation of CSR 2012 (based on COM staff documents)	Draft Country Specific Recommendations 2013
	1. Take additional measures in 2012 and specify the necessary measures in 2013, to **correct the excessive deficit in a sustainable manner** and ensure the structural adjustment effort specified in the Council recommendations under the excessive deficit procedure. Implement targeted spending cuts, while safeguarding growth-enhancing expenditure, and step up efforts to improve the efficiency of public spending. Thereafter, ensure an adequate structural adjustment effort to make sufficient progress towards the MTO, including meeting the expenditure benchmark. Accelerate the setting up of the Fiscal Council and adopt rules on expenditure ceilings.	Slovakia is expected to make progress in terms of fiscal consolidation but at this stage it is premature to comment on the EDP. Limited progress has been made on safeguarding growth-enhancing expenditure, making public spending more efficient and laying down an adequate structural adjustment towards the medium-term objective. The Fiscal Council has been set-up. The original plan to adopt rules on expenditure ceilings has been postponed to the first quarter of 2013. No information on current progress towards reaching this goal is available.	**1.** Implement as envisaged the budget for the year 2013, so as to **correct the excessive deficit** in a **sustainable manner** and **achieve the fiscal effort specified in the Council recommendations under EDP**. After the correction of the excessive deficit, pursue the structural adjustment effort that will enable Slovakia **to reach the medium-term objective by 2017**. Avoid cuts in growth enhancing expenditure and step up efforts to improve the efficiency of public spending. Building on the pension reform already adopted, further improve the long term sustainability of public finance by reducing the financing gap in the public pension system and increasing the cost-effectiveness of the health-care sector. **2.** Speed up the implementation of the action plan to combat tax fraud and continue efforts **to improve VAT collection**, in particular by strengthening the analytical and audit capacity of the tax administration. Improve tax compliance. Link real-estate taxation to the market value of property.
	2. Increase tax compliance, in particular by improving the **efficiency of VAT** collection; reduce distortions in taxation of labour across different employment types, also by limiting tax deductions; link real estate taxation to the market value of property; make greater use of environmental taxation.	Progress has been made on reducing distortions in the taxation of labour across different employment types. However, no review of tax deductions has been carried out. The legislative changes adopted to fight VAT evasion go in the right direction and can help make VAT collection more efficient. Nevertheless, there continued to be shortfalls in VAT revenue in 2012 and the challenge in this area remains. No progress has been made on real estate and environmental taxation.	

	3. Further adjust the pay-as-you-go **pension pillar**, mainly by changing the indexation mechanism, introducing a direct link between the statutory retirement age and life expectancy and introducing a sustainability factor in the pension calculation formula reflecting demographic change. Ensure the stability and viability also of the fully funded pillar.	A comprehensive pension reform has been adopted. Within the pay-as-you-go pillar, the indexation mechanism was changed and the link between the statutory retirement age and life expectancy introduced. The sustainability factor in the pension calculation has not been introduced. Repetitive opening of the fully funded pillar, the reintroduction of voluntary participation and several other changes undermined the stability of its set-up. Preliminary estimates show that they have improved the long-term sustainability of public finances but the long-term financing gap remains high compared to that of other Member States.	
	4. Enhance the administrative capacity of public employment services with a view to improving the targeting, design and evaluation of active labour market policies to ensure more individualised employment services for the young, the long-term unemployed, older workers and women. Ensure the provision of childcare facilities. Reduce the **tax wedge** for low-paid workers and adapt the benefit system.	**Partially implemented** The ALMP reform entered into force in May 2013 and is expected to improve the targeting and design of activation policies and introduced obligatory evaluation by public employment services. However, despite additional responsibilities and increased needs for analytical capacity, public employment services have not been strengthened. No sufficient progress made on ensuring the provision of childcare facilities and reducing the tax wedge.	**3**. Take measures to **enhance the capacity of public employment services** to provide personalised services to jobseekers and strengthen the link between activation measures and social assistance. More effectively address long-term unemployment through activation measures and tailored training. Enhance the provision of child-care facilities, in particular for children below three years of age. Reduce the **tax wedge** for low-paid workers and adapt the benefit system.
	5. Adopt and implement the youth action plan, in particular as regards the quality and labour market relevance of **education and vocational training**, including through the introduction of an apprenticeship scheme. Improve the quality of higher education by strengthening quality assurance and result orientation.	**Partially implemented** The youth action plan was adopted in October 2012. In the area of employment, a limited number of actions were taken (e.g. two national projects co-financed by the structural funds, supporting job creation for young people); a more systematic approach to supporting people seeking a job for the first time is lacking.	**4**. Step up efforts to address high youth unemployment, for example through a Youth Guarantee. Take steps to attract young people to the teaching profession and raise educational outcomes. **In vocational education and training**, reinforce the provision of work-based learning in companies. In higher education, create more job-oriented bachelor programmes. Foster effective knowledge transfer by promoting cooperation between academia, research and the business sector. Step up efforts to improve access to **high-quality and inclusive pre-school and school education for marginalised communities**, including Roma.

	6. Take active measures to improve access to and quality of schooling and pre-school education of vulnerable groups, including Roma. Ensure labour market reintegration of adults through activation measures and targeted employment services, second-chance education and short-cycle vocational training.	**Implemented to a limited extent** A Roma reform has been publicly announced. However, this has not been followed up by the required legislative acts or by the allocation of additional resources. Slovakia launched a number of projects supporting social inclusion. They are relevant but their sustainability and scale is inadequate given the magnitude of the problems.	
			5. Step up efforts to make the **energy market function better**; in particular, to increase the transparency of the tariff-setting mechanism, enhance the accountability of the regulator. Strengthen interconnections with neighbouring countries. Improve energy efficiency in particular in the construction sector and in industry.
	7. Strengthen the quality of the public service, including by improving management of human resources and strengthening analytical capacities. Further **shorten the length of judicial proceedings and strengthen the role of the Public Procurement office** as an independent body.	**Implemented to a limited extent.** A comprehensive reform to make local administration more efficient was launched this year. However, a strategic policy framework to improve the quality, human resource management practices and analytical capacities of central administration is still lacking. No measures were adopted to mitigate the impact of the political cycle on staffing decisions, nor were mechanisms to reduce corruption put in place. The improvement of analytical capacities does not seem to be supported by sufficient budget allocations.	**6**. Amend the Act on Civil Service to strengthen the independence of the public service. Improve the management of human resources in public administration. Step up efforts to strengthen analytical capacities in key ministries, also with a view to improving the absorption of EU funds. Implement measures to **improve the efficiency of the judicial system**. Promote alternative dispute resolution procedures and encourage their greater use.

FI	[Country Specific Recommendations 2012](#) **MIP: 5**	[Assessment of implementation of CSR 2012 (based on COM staff documents)](#)	[Draft Country Specific Recommendations 2013](#) **MIP: 3,4,5**
	1. Preserve a **sound fiscal position in 2012 and beyond by correcting any departure from the MTO** that ensures the long-term sustainability of public finances. To this end, reinforce and rigorously implement the budgetary strategy, supported by sufficiently specified measures, for the year 2013 and beyond, including meeting the expenditure benchmark. Continue to carry out annual assessments of the size of the **ageing-related sustainability gap** and adjust public revenue and expenditure in accordance with the long-term objectives and needs. Integrate the local government sector better in the system of multi-annual fiscal framework including through measures to control expenditure.	**Some progress** The general government deficit reached 1.9% of GDP in 2012 and in its spring forecast the Commission predicts a 1.8% deficit for 2013. The structural balance was -0.7 % in 2012 and is forecast to be -0.6 % in 2013 and -0.5 % in 2014. Finland did not meet its MTO (0.5%) in 2012, but due to the negative growth, the improvement in structural balance was not achievable. No measures to establish expenditure ceilings have been proposed at general government level, but local government expenditure is being adjusted through the adjustment of central government transfer payments to the municipalities.	**1.** Pursue a growth-friendly fiscal policy and preserve a **sound fiscal position** as envisaged, ensuring **compliance with the MTO over the programme horizon**. Continue to carry out annual assessments of the size of the **ageing-related sustainability gap** and adjust public revenue and expenditure in accordance with long-term objectives and needs. Ensure the cost-effectiveness and sustainability of long-term care and put a stronger focus on prevention, rehabilitation and independent living.
	2. Take further measures to **achieve productivity gains and cost savings in public service provision,** including structural changes and efficiency-enhancing territorial administrative reforms, also in order to respond to the challenges arising from an ageing population.	**Some progress** Reform on the number and structure of municipalities is progressing. Legislation currently being proposed for adoption in July 2013 establishes criteria for municipalities that should consider and analyse mergers. There will be financial incentives for mergers but no forced mergers are envisaged. Furthermore, reform on health and social services being planned.	**2.** Ensure effective implementation of the on-going **administrative reforms** concerning the municipal structure, in order to deliver productivity gains and cost savings in the provision of public services, including social and healthcare services.
	3. Implement the ongoing measures to **improve the labour market position of young people** and the long-term unemployed, with a particular focus on skills development. Take further steps to improve **the employment rate of older workers,** including by reducing early exit pathways. Take measures to increase the effective retirement age taking into account the	**Substantial progress** The measures to reduce long-term and youth unemployment are relevant, ambitious and credible. However, the underlying policy challenges remain. As regards older workers, it is not clear what measures are being envisaged. Since no concrete initiatives or numbers have been set, it is difficult to assess relevance,	**3.**Take further steps to increase the **employment rate of older workers**, including by improving their employability and reducing early exit pathways, and align the minimal statutory retirement age with increased life expectancy. Implement and monitor closely the impact of on-going measures to improve **the labour-market position of young people** and

	improved life expectancy.	ambition or credibility. Early exit pathways, such as the ‘unemployment pathway’, remain.	the long-term unemployed, with a particular focus on the development of job-relevant skills.
	4. Continue **enhancing competition in product and service markets**, especially in the retail sector, by ensuring the effective implementation of the new Competition Act and the new programme on promoting healthy competition. Continue to take measures to increase the efficiency of municipal service provision, including increasing, where appropriate, the share of services subject to competitive bidding, and to ensure competition neutrality between private and public undertakings. Take further steps to ensure that competition law fines have a sufficiently deterrent effect.	**Some progress** To improve competition, a programme to promote healthy competition was set up, aimed at increasing competition on the domestic market. Furthermore, on 1 January 2013 the Finnish Competition and Consumer Authority came into operation. Furthermore, a legislative proposal on dominant market position has been under discussion at government level since September 2012.	**4**. Continue efforts to **enhance competition in product and service markets**, especially in the retail sector, by implementing the new programme on promoting healthy competition.
	5. In order to strengthen productivity growth and external competitiveness, continue efforts to **diversify the business structure**, in particular by hastening the introduction of planned measures to broaden the innovation base while continuing to align wage and productivity developments fully respecting the role of social partners and in line with national practices.	**Some progress** The government’s measures are in the right direction in relation to diversification of the business structure. The problem of competitiveness and the need to facilitate the restructuring in the ICT sector are ongoing issues in the public policy debate. The current wage agreement comes to an end in 2013, but the labour market partners have not yet reached an agreement on its follow-on. There has not been an ambitious, relevant or credible response to the recommendation as regards the wage component.	**5**. Boost Finland's capacity to deliver innovative products, services and high-growth companies in a rapidly changing environment, and continue **diversification of the industry** towards less energy intensive sectors. In the current low-growth environment, support the alignment of real wage and productivity developments whilst fully respecting the role of social partners and in line with national practices.

SE	Country Specific Recommendations 2012 MIP: 2	Assessment of implementation of CSR 2012 (based on COM staff documents)	Draft Country Specific Recommendations 2013 MIP: 2,3
	1. Preserve a **sound fiscal position in 2012** and beyond by implementing the budgetary strategy as envisaged and **ensuring continued achievement of the MTO.**	**Fully addressed** The 2013 Budget Bill is also in line with the recommendation. The general government budget is expected to have a small deficit in 2013. Taking into account the downward revision of the medium-term objective in the 2012 convergence programme (from a surplus of 1 % of GDP to a deficit of 1 % of GDP), Sweden is likely to continue to meet its commitment under the Stability and Growth Pact and fulfil the CSR. The pro-growth composition of the fiscal stimulus in the 2013 budget is commendable.	**1**. Implement the measures necessary to pursue a growth-friendly **fiscal policy** and preserve a sound fiscal position **ensuring compliance with the medium-term objective over the programme horizon.**
	2. Take further preventive measures to strengthen the stability of the **housing and mortgage market** in the medium term, including by fostering prudent lending, reducing the debt bias in the financing of housing investments, and tackling constraints in housing supply and rent regulations.	**Some progress** House prices and household debt have been stable over the last year. Several measures are in the pipeline to foster prudent lending: stricter capital and liquidity requirements; higher risk weights for mortgages; and discussions on introducing amortisation requirements. No measures have been taken to address the debt-bias in housing taxation. On the rental market, progress has been made through a partial reform of the rent-setting system in 2011 and by simplifying private lettings in 2013.	**2**. Continue addressing risks related to private debt by reducing the debt bias **in housing taxation** by phasing out tax deductibility of interest payments on mortgages or/and increasing property taxes. Take further measures to foster prudent lending by measures promoting amortisation of mortgages. Further reduce the debt-bias in corporate taxation. **3**. Improve the efficiency of **the housing market** by phasing out remaining elements of rent control and strengthening the freedom of contract between individual tenants and landlords. Promote increased competition in the construction sector and review the planning, zoning and approval processes with the aim of increasing transparency, shortening lead times and reducing entry barriers for construction companies.
	3. Take further measures to improve the **labour**	**Some progress**	**4**. Reinforce efforts to improve **the labour-**

	market participation of youth and vulnerable groups, e.g. by improving the effectiveness of active labour market measures, facilitating the transition from school to work, promoting policies to increase demand for vulnerable groups and improving the functioning of the labour market. **Review the effectiveness of the current reduced VAT rate for restaurants and catering services i**n support of job creation.	A number of measures have been taken on various fronts, in particular to speed up the integration of people with a migrant background into the labour market, facilitate the transition from school to work, promote demand for vulnerable groups and improve the functioning of the labour market. The 'youth package' provides for a number of extra temporary student places in universities and adult vocational education establishments. The government has commissioned a review of the effectiveness of the VAT cut in restaurant and catering services in relation to prices and employment in the sector.	**market integration** of low-skilled young people and people with a migrant background by stronger and better targeted measures to improve their employability and the labour demand for these groups. Step up efforts to facilitate the transition from school to work, including via a wider use of work-based learning, apprenticeships and other forms of contracts combining employment and education. Complete the Youth Guarantee to better cover young people not in education or training. Complete and draw conclusions from the **review of the effectiveness of the current reduced VAT rate for restaurants and catering services** in support of job creation.
	4. Take further measures in the upcoming **research and innovation** bill to continue improving the excellence in research and to focus on improving the commercialisation of innovative products and the development of new technologies.	**Fully addressed** The Swedish Research and Innovation Bill has been adopted, as has the National Innovation Strategy. In line with the Commission's recommendation in 2012, the emphasis has been on ensuring a higher return on R&D investment than in the past. The challenge of getting ideas to the market for innovative and high-growth enterprises is clearly recognised. However, the actual implementation of the strategy will have to be followed closely over time.	

UK	Country Specific Recommendations 2012 **MIP: 2, 3, 6**	Assessment of implementation of CSR 2012 (based on COM staff documents)	Draft Country Specific Recommendations 2013 **MIP: 2,3,5,6**
	1. Fully implement the budgetary strategy for the financial year 2012-13 and beyond, supported by sufficiently specified measures, to ensure a timely **correction of the excessive deficit in a sustainable manner** and the achievement of the **structural adjustment effort specified in the Council recommendations under the EDP** and to set the high public debt ratio on a sustained downward path. Subject to reinforcing the budgetary strategy for the financial year 2013-14 and beyond, prioritise growth-enhancing expenditure to avoid the risk that a further weakening of the medium-term outlook for growth will negatively impact on the long-term sustainability of public finances.	**Limited progress.** At 6.4%, structural borrowing in FY 2012-13 was only 0.3 pp. lower than in 2011-12, despite the UK government sticking to its fiscal consolidation strategy. The deficit is forecast at 6.8% in 2013-14 and 6.3% in 2014. Some modest progress has been made on making the structure of consolidation more growth-friendly by shifting spending towards capital budgets.	**1.** Implement a reinforced budgetary strategy, supported by sufficiently specified measures, for the year 2013-14 and beyond. Ensure the correction of the **excessive deficit in a sustainable manner by 2014/15**, and the achievement of the fiscal effort specified in the Council recommendations under the EDP and set the high public debt ratio on a sustained downward path. A durable correction of the fiscal imbalances requires the credible implementation of ambitious structural reforms which would increase the adjustment capacity and boost potential growth. Pursue a differentiated, growth-friendly approach to fiscal tightening, including through prioritising timely capital expenditure with high economic returns and through a balanced approach to the composition of consolidation measures and promoting medium and long-term fiscal sustainability. In order to raise revenue, make **greater use of the standard rate of VAT**.
	2. Address the **destabilising impact of high and volatile house prices and high household debt** by implementing a comprehensive housing reform programme to increase housing supply and alleviate problems of affordability and the need for state subsidisation of housing. Pursue further reforms to the housing market, including the mortgage and rental markets, financial regulation and property taxation to prevent excessive volatility and distortions in the housing market.	**Some progress.** Government has reformed the planning system and put in place a number of regulatory and fiscal measures aimed at increasing residential construction, but it is not yet clear how effective these will be in boosting the supply of housing. Both residential construction and new mortgage lending remain low, affected by a weak economy and policy constraints. There is also a risk that recent government interventions that stimulate housing demand more than supply, in particular Help to Buy, could reflate a housing bubble and consequently household debt. This could also further decrease housing affordability.	**2.** Take further action to increase **housing supply**, including through further liberalisation of spatial planning laws and an efficient operation of the planning system. Ensure that housing policy, including the Help to Buy scheme does not encourage excessive mortgage lending; and lead to higher house prices. Pursue reforms to land and property taxation to reduce distortions and promote timely residential construction. Take steps to improve the legal framework of rental markets, in particular by making longer rental terms more attractive to both tenants and landlords.

	3. Continue to improve the **employability of young people**, in particular those not in education, employment or training, including by using the Youth Contract. Ensure that apprenticeship schemes are taken up by more young people, have a sufficient focus on advanced and higher-level skills, and involve more small and medium-sized businesses. Take measures to reduce the high proportion of young people aged 18-24 with very poor basic skills.	**Some progress.** If implemented effectively, with a proper focus on increasing the quality of apprenticeship programmes, including their level and duration, a number of measures taken may increase the labour market relevance of apprenticeships. The measures in the education system to improve the skill levels and employability of young people have a long-term nature and therefore it is too early to assess their impact.	**3**. Building on the Youth Contract, step up measures to **address youth unemployment**, for example through a Youth Guarantee. Increase the quality and duration of apprenticeships, simplify the system of qualifications and strengthen the engagement of employers, particularly in the provision of advanced and intermediate technical skills. Reduce the number of young people aged 18-24 who have very poor basic skills, including through effectively implementing the Traineeships programme.
	4. Step up measures to facilitate the labour market integration of people from **jobless households**. Ensure that planned welfare reforms do not translate into increased child poverty. Fully implement measures aiming to **facilitate access to childcare services**.	**Some progress.** The introduction of Universal Credit will be a positive step, with its focus on benefits simplification and improving work incentives, although the employment impact is likely to depend in part on effective implementation. However reforms to Council Tax benefit appear likely to increase poverty and make the benefits system more complex, partially offsetting the simplification benefits of Universal Credit. Early evidence on the impact of the new flagship Work Programme for the unemployed is disappointing. Poverty is likely to increase in future due to a range of real terms reductions to working age welfare payments that the government is making as part of its fiscal consolidation strategy.	**4**. Enhance efforts to support **low-income households** and reduce child poverty by ensuring that the Universal Credit and other welfare reforms deliver a fair tax-benefit system with clearer work incentives and support services. Accelerate the implementation of planned measures to **reduce the costs of childcare** and improve its quality and availability.
	5. Further improve the availability of **bank and non-bank financing to the private sector,** in particular to SMEs. Support competition within the banking sector, in particular through measures to reduce barriers to entry, increase transparency and facilitate switching between banks as recommended by the Independent Commission on Banking and explore ways to improve access to venture and risk capital and other forms of non-bank lending.	**Some progress.** The government has put in place a number of schemes aimed at increasing lending but net credit trends remained weak throughout 2012. Many firms, notably SMEs, are experiencing difficulties in obtaining credit to finance investment. The FLS has contributed to ease bank funding costs and credit conditions, but there is a risk of it being primarily channelled to sectors that are	**5**. Take further steps to improve the availability of **bank and non-bank financing to the corporate sector**, while ensuring that the measures primarily target viable companies, especially SMEs. Reduce barriers to entry in the banking sector, lower switching costs and facilitate the emergence of challenger banks through a divestiture of banking assets. Effectively implement the **Financial Policy Committee's recommendations** on prudent assessment of bank capital requirements and on

		less in need of funding. The government is addressing a number of the recommendations put forth in the Breedon review, but access to non-bank lending remains largely restricted to bigger firms. There remains limited competition in the banking industry, but some actions to tackle barriers to entry have been announced. Lloyds bank and RBS are yet to divest of part of their assets to comply with state aid rules and to facilitate the creation of new challenger banks.	addressing identified capital shortfalls.
	6. Pursue a long-term strategy for improving the **capacity and quality of the UK's network infrastructure**, including measures to address pressures in transport and energy networks by promoting more efficient and robust planning and decision-making processes, and harnessing appropriate public or private financing arrangements.	**Some progress.** Quality and congestion of transport infrastructure remains a structural weakness affecting the whole economy, and especially goods producing and exporting companies. The rail investment pipeline should help to accommodate the forecast continued increase in rail traffic. The government has announced a lot of initiatives to boost private investment in the road network but most remain aspirational and the UK needs to be careful not to repeat past mistakes. Limited progress has been made in addressing the need for additional hub airport capacity. There has been a lot of uncertainty over the prospects for energy investment, due in part to regulatory risks. UK assessments show an increasing need for new generating capacity, both renewable and non-renewable. The energy bill aims to put in place measures to attract the GBP 110 billion (EUR 130 billion) investment that is needed to replace current generating capacity and upgrade the grid by 2020.	**6**. Take measures to facilitate a timely increase in **network infrastructure** investment, especially by promoting more efficient and robust planning and decision-making processes. Provide a stable regulatory framework for **investment in new energy capacity**, including in renewable energy. Improve the capacity and quality of transport networks by providing greater predictability and certainty on planning and funding and by harnessing the most effective mix of public and private capital sources.

Euro Area	Council Recommendations 2012	Assessment of implementation of CSR 2012 (based on COM staff documents)	Draft Country Specific Recommendations 2013
	1. Strengthen the working methods of the Eurogroup to allow it to take responsibility for the aggregate policy stance in the euro area, effectively responding to changes in the economic environment, and to lead the coordination of economic policy in the context of the strengthened surveillance framework which applies to the euro area Member States.		
	2. Intensify policy cooperation in the Eurogroup by sharing information and discussing budgetary plans and the plans of major reforms with potential spillovers effects on the euro area. Ensure that such reforms are undertaken that are necessary for a stable and robust euro area, including the implementation of the recommendations which the Council has addressed to individual euro area Member States and which, in addition to addressing challenges at national level, have an impact on the euro area as a whole.		**1.** Take collective action in the **Eurogroup to ensure a coherent policy stance** across the euro area, and to deliver the necessary policy decisions which are needed to ensure the good functioning of the euro area. Allow the **Eurogroup to play a central role** in the strengthened surveillance framework applicable to euro area Member States to coordinate and monitor reforms at national and at the euro area level that are necessary for a stable and robust euro area and to ensure policy coherence.
	3. Strengthen fiscal discipline and fiscal institutions at both national and sub-national levels to enhance market confidence in the medium and long-term sustainability of public finances in the euro area. Following the agreement by the euro area Heads of State or Government in July and October 2011 and on 2 March 2012, advance the transposition of Directive 2011/85/EU to the end of 2012 and strengthen **fiscal governance** further, in particular by introducing in the national legislation of all euro area Member States the rules for balanced budget in structural terms and the automatic correction mechanisms.	The strengthening of fiscal frameworks continues across the euro area. While the Directive on national budgetary frameworks has to be transposed by the end of 2013, euro area Member States pledged to advance this process to end 2012. Progress is somewhat more advanced regarding numerical fiscal rules: a wide array of national instruments are either in place or are being prepared to buttress national fiscal policy-making. Beyond the Directive itself, the framework for strengthened EU governance introduced with the other legislative texts of the 'six-pack' reform of the Stability and Growth Pact	

		has helped to place the issue of effective national numerical fiscal rules high on the Member States' reform agenda. This is also supported by the TSCG. The more recent agreement on the 'two-pack' legislation will further reinforce domestic fiscal frameworks in the context of enhanced surveillance of budgetary processes; this will in particular feature a stronger role for independent fiscal institutions.	
	4. Based on the European Council Conclusions of 1-2 March 2012, **ensure a coherent aggregate fiscal stance** in the euro area by pursuing fiscal consolidation as set out in Council recommendations and decisions, in line with the rules of the Stability and Growth Pact, which take into account the country-specific macro-financial situations. Member States affected by significant and potentially rising risk premia should limit deviations from the nominal balance targets even against worse-than-expected macroeconomic conditions; other Member States should let the automatic stabilisers play along the adjustment path assessed in structural terms and stand ready to review the pace of consolidation should macroeconomic conditions deteriorate further. Composition of government expenditure and revenues should reflect the growth impact of spending items and revenue sources. In particular, all the available **budgetary margins should be used to foster public investment in the euro area**, including by taking into account cross-country differences in the cost of funding.	Significant progress has been made on fiscal consolidation in the euro area. The headline deficit continued to improve by 0.4 pps and fell to 3.7% of GDP. However the debt-to-GDP ratio continued to rise in 2012, as the effects of the consolidation programmes on debt will become visible only with time. The speed of consolidation over the period 2010 and 2013 for the euro area as a whole as well as the differentiation according to fiscal space was broadly appropriate. Nonetheless, there remain substantial consolidation needs in some euro area countries as there are still a number of countries in excessive deficit procedure and countries in the preventive arm need to make progress of 0.5% as a benchmark towards the MTO. Consolidation efforts in the euro area have been broadly balanced between the revenue and expenditure side. Going forward, there is still scope for many euro area Member States to improve the structure of the tax systems further. Many Member States have room to make the tax systems more growth friendly and raise additional revenue by broadening the tax bases.	**2.** Ensure that the Eurogroup monitors and coordinates **fiscal policies of the euro area** Member States and the implied aggregate fiscal stance for the euro area as a whole to ensure a growth friendly and differentiated fiscal policy. To this end the Eurogroup should discuss the Commission opinions of the **draft budgetary plans of each of the euro area Member States**, and the budgetary situation and prospects for the euro area as a whole on the basis of the overall assessment by the Commission of the draft budgetary plans and their interaction. The coordination shall contribute to ensuring that **the pace of fiscal consolidation is differentiated** according to the fiscal and economic situation of the euro area Member States with the **budgetary adjustment** defined in structural terms, allowing the **automatic stabilisers** to function along the adjustment path and that, in view of reinforcing the credibility of fiscal policy over the medium term, fiscal consolidation is supported by an overall efficient and growth-friendly mix of expenditure and revenue and by appropriate structural reforms which enhance the economic growth potential.
	5. Take action to improve the functioning and stability of the **financial system** in the euro area. Accelerate the steps towards a more integrated financial architecture, comprising	The positive market sentiment was spurred by **several European level policy measures** that impacted the markets in the last year. Perceptions about euro breakup have receded	**3.** Assess, in the framework of the Eurogroup, the reasons behind the **differences in lending rates** especially to SMEs across the euro area Member States; explore the consequences of

	banking supervision and cross-border crisis resolution.	significantly starting in the last quarter of 2012. On the monetary side the ECB's announced a new programme aimed at restoring the transmission of monetary policy **Outright Monetary Transactions** (OMT) in September 2012. On the regulatory front, progress in economic and fiscal governance as well as the agreement on the **Single Supervisory Mechanism** (SSM) also contributed to the reduction of risk premia. The SSM should be fully operational by July 2014 radically changing the supervisory landscape in Europe. This will enhance high quality and impartial banking supervision across the board, contributing to boost the resilience of the banking system in the medium term and dissipate doubts about the quality of banks' assets. Finally the permanent **European Stability Mechanism** has become operational. Market conditions have not normalised and market fragmentation did not disappear which means that funding strains for banks in vulnerable countries remains prevalent. The return to full financial integration depends crucially on the preservation of a positive and ambitious effort to reform the financial framework. A number of other initiatives could be considered to ease SMEs access to bank and nonbank financing in the EU and the euro area	the **fragmentation of the financial markets** in the euro area and advise on ways to overcome it. **4.** Building on the recapitalisation and the restructuring of the past years, promote further balance-sheet repair among banks as a means to **reverse fragmentation in the single market** and **improve the flow of credit** to the real economy, particularly SMEs. To this end: (a) ensure that the balance sheet assessments and **stress tests** to be conducted by the **Single Supervisory Mechanism** (SSM) in co-operation with the **European Banking Authority** (EBA) are concluded in accordance with the agreed timeline; (b) ensure a level playing field in applying **burden-sharing** requirements in the recapitalisation of banks; (c) put in place **credible fiscal backstops** for possible recapitalisation of banks ahead of balance sheet assessments and stress; (d) remove **supervisory incentives** for banks to match asset and liabilities within national borders; and (e) accelerate the necessary steps to establish the **Banking Union**, comprising the SSM, a single resolution mechanism, a capacity for bail-in, a common resolution fund and a common fiscal backstop including the possibility for direct recapitalisation of financial institutions.
	6. Implement **structural reforms, which also promote flexible wage adjustments**, and which — together with a differentiated fiscal stance — would promote an orderly unwinding of intra-euro area macroeconomic imbalances and thus growth and jobs. This would include action at national level which reflects the country-specific situation and takes account of the Council recommendations to individual euro area Member States.	Progress has been made with reforms of pension systems, less so with health care. A majority of Member States have adapted pension systems with the aim of putting them on a more sustainable footing against the background of population ageing. Further reform efforts are needed to align retirement age with life expectancy, restrict access to early retirement schemes, and enable longer working lives but also in the fields of health care and long-term care policies. Several Member States	**5.** Coordinate ex ante the major **economic reform plans** of the Member States whose currency is the euro. Monitor the implementation of **structural reforms**, notably in the labour and product markets and assess their impact on the euro area, taking into account the Council recommendations to individual euro area Member States. Promote further adjustment in the euro area, ensuring that it proceeds in a balanced and structural way, by following thoroughly the reforms that address distortions

		in the euro area have undertaken key structural reforms in product and service markets during the last year. The reform effort has been particularly substantial in countries under financial assistance programmes and/or under market pressure. Still a strong reform effort is needed in the competition framework, in particular as concerns the reduction of barriers in professional services. Reforms of the housing and rental markets are also ongoing. Reforms enhancing labour market adjustment and reducing labour market segmentation have been recently enacted or are ongoing in many of the euro area countries that were characterised by less flexible regulatory settings. In some countries, still rigid and segmented labour markets are by themselves obstacles to the process of reallocation, especially of the re-employment of workers that have been made redundant during the adjustment, who now face significant entry barriers back into the labour market.	to saving and investment behaviour in Member States with both current account deficits and surpluses. Take the necessary steps for an effective implementation of the **Macroeconomic Imbalances Procedure**, notably by assessing progress in reform commitments in Member States experiencing excessive imbalances and in reform implementation in Member States with imbalances requiring decisive action to limit **negative spillovers** to the rest of the euro area.