EUROPEAN PARLIAMENT

DIRECTORATE-GENERAL FOR INTERNAL POLICIES
ECONOMIC GOVERNANCE SUPPORT UNIT (EGOV)

STUDY

Country Specific Recommendations (CSRs) for 2013 and 2014

A comparison and an overview of implementation

The table in the ANNEX presents:

- The **Country Specific Recommendations for 2013** generally endorsed by the European Council on 27/28 June 2013 and adopted by the Council on 9 July 2013
- **The assessment of the implementation of 2013 CSRs** based on the **Commission Staff Working Papers** as published on 2 June 2014
- The **Country Specific Recommendations for 2014** generally endorsed by the European Council on 26/27 June 2014 and adopted by the Council on 8 July 2014.

The table includes also **the common recommendation for the economic policies of the Member States whose currency is the euro.**

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

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

►The draft CSR for 2014 have been re-arranged in the annexed table, where relevant, to allow an easier comparison with the 2013 CSRs.

►The "colour code" used in the annexed table is based on the broad categories used in the COM Staff Working Papers for assessing the implementation of 2013 CSRs: **"red"** = "no progress" or "limited progress", **"yellow"** = "some progress", **"green"** = "substantial progress" or "full progress".

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

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BE	Country Specific Recommendations 2013 **SGP: CSR 1 and MIP: CSR 1, 2, 3, 4, 5**	Assessment of implementation of CSR 2013 **(based on COM staff documents)**	Country Specific Recommendations 2014 **SGP: CSR 1 and MIP: CSR 2, 4, 5**
	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 Treaty on Stability, Coordination and Governance in the Economic and Monetary Union and to increase the transparency of burden sharing and accountability across government layers.	**Some Progress:** **Substantial progress** in reducing the deficit. The 2013 headline deficit came out at 2.6% of GDP, below the target of 2.7% of GDP set by the Council in June 2013. In 2014 and 2015, the deficit is projected to remain below the 3% of GDP deficit threshold. **Limited progress** in making progress towards the medium-term objective. The 2014 budget contains consolidation measures of a structural nature, ensuring the sustainable correction of the excessive deficit. However, the Commission's spring forecast shows no further structural improvement in 2014 and, under the usual no-policy-change assumption, a structural deterioration in 2015. This puts the achievement of the targets at risk and could lead to a significant deviation from the adjustment towards the MTO over 2014-2015. **Substantial progress** in improving the fiscal framework. The on-going sixth state reform provides for a contribution by regions and communities to the fiscal consolidation effort and to the cost of population ageing. The Fiscal Compact, part of the Treaty on Stability, Coordination and Governance, has been implemented through a Cooperation Agreement concluded between the federal government and regional/community governments on 13.12.2013, which introduces a structural budget balance rule for general government and formalises fiscal policy coordination among different layers of government.	**1.** Following the correction of the excessive deficit, reinforce the budgetary measures for 2014 in the light of the emerging gap of 0,5 % of GDP based on the Commission services 2014 spring forecast, **pointing to a risk of significant deviation relative to the preventive arm of the Stability and Growth Pact** requirements. In 2015, significantly strengthen the budgetary strategy to ensure the required adjustment of 0,6 % of GDP towards the medium-term objective, which would also ensure compliance with the debt rule. Thereafter, until the medium-term objective is achieved, pursue the planned annual structural adjustment **towards the medium-term objective**, in line with the requirement of an annual structural adjustment of at least 0,5 % of GDP, and more in good economic conditions or if needed to ensure that the debt rule is met in order to put the high general government debt ratio on a sustained downward path. Ensure a balanced contribution by **all levels of government** to the fulfilment of fiscal rules including the structural budget balance rule, through a binding instrument with an explicit breakdown of targets within a medium-term planning perspective.
	2. Step up efforts to close **the gap between the effective and statutory retirement age**, including	**Some Progress:**	**3.** Contain future public expenditure growth relating to ageing, in particular from pensions and

	by pursuing the on-going reforms to reduce the early-exit possibilities. Underpin reforms of the old-age social security systems with employment-support measures and **labour-market reforms conducive to active ageing**. Increase the effective retirement age by aligning retirement age or pension benefits to changes in life expectancy. Continue to improve the cost-efficiency of public spending on long term institutional care.	**Some progress** in reducing early-exit possibilities. The on-going old-age social security reform started by the end of 2011. Additional measures conducive to active ageing were taken to underpin the reforms of the old-age social security system, notably to align the pension bonus with the new early retirement age, to ensure fair treatment of mixed careers and to strengthen the reactivation incentives of the survivor's pension. Also, the rules on earnings after retirement have been relaxed, rewarding people who continue working past the age of early retirement or stay in or re-enter the labour market after reaching the legal retirement age. In tandem, dismissals through the pre-retirement scheme have been made more expensive and companies have been asked to implement 'active ageing' plans. **No progress** in aligning retirement age or pension benefits to changes in life expectancy. An expert group has been set up but has not yet delivered its reform proposals. **No progress** in cost-effectiveness of long-term institutional care. The sixth state reform transfers a number of responsibilities for long-term care (and for healthcare) to community level, hence somewhat alleviating the ageing burden borne by the federal government. Whether the devolution of responsibilities will lead to increased cost-effectiveness depends on political choices that have yet to be made and implemented.	long-term care, by stepping up efforts to reduce the **gap between the effective and statutory retirement age**, bringing forward the reduction of early-exit possibilities, promoting active ageing, aligning the retirement age to changes in life expectancy, and improving the cost-effectiveness of public spending on **long-term care.**
	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	**Limited Progress:** **Some progress** in restoring competitiveness: Several measures to curb rising wage costs have been enacted and past drivers of high price pressures have been addressed by competition-reinforcing measures in	**5.** Restore competitiveness by continuing the reform of the **wage-setting system, including wage indexation**, in consultation with the social partners and in accordance with national practice, to ensure that wage evolutions reflect productivity developments at sectorial and/or company levels

	to productivity developments, reflects subregional and local differences in productivity and labour market conditions, and provides automatic corrections when wage evolution undermines cost-competitiveness.	several key markets. A second set of revisions of the health index calculation formula came into force as of 1.1. 2014, with the aim of better reflecting consumption patterns and the method of determining prices of several commodities and services has been revised. These various revisions are expected to increase downward pressure on measured inflation, thereby contributing to wage moderation. **No progress** on reforming the wage setting system, linking it to productivity developments, better reflecting local differences in productivity and labour market conditions. **No progress** on introducing automatic corrections. According to the government declaration to parliament, the reform of the 1996 law on competitiveness would introduce a new, more stringent method of determining the wage norm by reducing the risk of overestimating wage developments in neighbouring countries, by reinforcing the discretionary authority of the government to intervene in the wage setting process and by reinforcing the mechanism for ex post corrections. However, this reform has stalled and will most likely not be enacted during the current legislature.	as well as economic circumstances and to provide for effective automatic corrections when needed; by strengthening competition in the retail sectors, removing excessive restrictions in services, including professional services and addressing the risk of further increases of energy distribution costs; by promoting innovation through streamlined incentive schemes and reduced administrative barriers; and by pursuing coordinated education and training policies addressing the pervasive skills mismatches and regional disparities in early school leaving.
	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 prices, strengthen the independence of the regulators in the energy, telecoms and the transport sectors (railway, airport). Remove remaining regulatory barriers in the postal sector.	**Limited Progress:** **Limited progress** in removing barriers in the retail sector. Belgium has made limited progress on retail establishment. The transfer of relevant competences to the regions that will occur in July 2014 provides the opportunity for a reform of the current rules but no concrete measures have been taken so far. The effectiveness of the new rules in simplifying retail establishment remains to be seen.	

		No progress on removing excessive restrictions in professional services. Some professions still face obstacles when entering the market and offering additional services in the sector as a whole. **Substantial progress** in improving the conditions for the provision of mobile broadband. The frequency spectrum in the 800 MHz band has been finally awarded for the provision of mobile broadband services and EMF issues are being resolved in the Brussels Region. **Some progress** on improving the functioning of the energy sector. Wholesale gas and electricity markets are well integrated with neighbouring countries. Retail markets have become more dynamic; information campaigns have made consumers more price-conscious. Electricity distribution tariffs, however, are the second highest in Europe (after Spain) and further work is outstanding to fully align legislation with the third Internal Energy Market Directives. **Some progress** in strengthening the independence of the regulators. In the energy sector, the independence of the regulators is not ensured and their tasks are not conforming to the internal market Directives (third package). In the telecom sector, the rules under which the Belgian Council of Ministers can intervene in the decisions or plans of the BIPT (Belgian Institute for Post and Telecommunications) are in breach with the independence of the BIPT. In the transport sector, the 2012 adopted legislation on the regulatory body for railway transport and for Brussels Airport operations, reinforcing the independence of the regulator, has been implemented. No further major issues exist with regard to the regulatory function for railway transport. However, in the case of Brussels Airport, the main issue concerns the excessive power exerted by the	

		Minister in arbitrating airport charges-related disputes. In the case of Brussels-South Charleroi Airport, the independence of the Walloon supervisory authority should also be guaranteed. **No progress** on removing remaining regulatory barriers in the postal sector. Persisting regulatory barriers (i.e. excessive licensing requirements, notably mandatory geographical and daily coverage and a uniform tariff for licensed services) reduce consumer choice.	
	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.	**Limited Progress:** **Limited progress** in shifting taxes from labour to less growth-distorting tax bases. Though a number of small measures have been taken in the context of a 'competitiveness pact', no substantial tax shift from labour to less growth distorting tax bases has taken place. No concrete proposals have been made to make more use of environmental taxes, and diesel and fuel were excluded from the general increase in excise duties as of 1.8.2013. **Limited progress** in simplifying the tax system. A number of simplification measures have been legislated. With regard to increasing VAT efficiency, the VAT exemption for lawyers' services has been abolished but the reduction from 21 % to 6 % of the VAT rate for electricity (effective in April 2014) goes against both objectives of simplifying the tax system and moving towards a less growth-distorting tax base. Tax compliance has been improved by a stepping-up of the fight against fraud. The 'fairness tax' for large companies can be seen as an indirect reaction to the use of tax planning in corporate income taxation linked in particular to loopholes in the allowance for corporate equity (ACE) that potentially allow	**2.** Improve the balance and fairness of the overall tax system and prepare a comprehensive tax reform that will allow **shifting taxes away from labour** towards more growth friendly bases, simplifying the tax system, closing loopholes, increasing VAT efficiency, broadening tax bases, reducing tax expenditures and phasing out environmentally harmful subsidies.

		corporations to cascade ACE benefits out of the same initial equity funding. These loopholes have not been addressed.	
	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 and labour market strategies for people with a migrant background**.	**Some Progress:** **<u>Some progress</u>** on reducing disincentives. A new cooperation agreement between the federal government and the regions on follow-up of and guidance for jobseekers entered into effect on 1 January 2014, providing for enhanced activation, conditionality, quicker follow-up and sanctions. Disincentives to work are set to fall at the bottom of the pay scale, as a result of the reform of the unemployment benefit system and the reinforcement of the work bonus, though unemployment traps in Belgium remain both sizeable and pervasive. **<u>Some progress</u>** on inter-regional labour mobility. The regional employment services have continued to invest in bilateral and multilateral cooperation. Recent statistics show increasing commuter flows from high- to low-unemployment areas across regional borders. **<u>Limited progress</u>** on simplifying and reinforcing coherence. Labour market and education and public training institutions in the three regions/communities have intensified cooperation to make initial vocational training more relevant to market needs and to cope with the increasing need for continuous vocational training as well as adult training. There is no coherence among the different policies/actors to address the early school leaver issue country-wide, Statistics show persisting and increasing regional/community differences. **<u>Limited progress</u>** on comprehensive strategies for people with a migrant background. The federated	**4.** Increase labour market participation, in particular by **reducing financial disincentives to work,** increasing labour market access for disadvantaged groups such as the young and people with a migrant background, improving professional mobility and addressing skills shortages and mismatches as well as early school leaving. Across the country, strengthen partnerships of public authorities, public employment services and education institutions to provide early and tailor-made support to the young.

		entities have taken action mostly affecting newcomers, without developing a coherent strategy to address the issues affecting second- and third-generation migrants, many of whom have Belgian nationality with the notable exception of an increased offer of language courses. Yet the creation of a statistical tool allowing describing and monitoring the labour market inclusion of people of migrant origin is notable.	
	7. Take concrete measures and agree a clear division of efforts between the federal and regional authorities to ensure progress towards reaching the targets for **reducing greenhouse gas emissions** from non-ETS activities, in particular from transport and buildings.	**Limited Progress:** **Limited progress** in taking concrete measures towards reducing greenhouse gas emissions. **Limited progress** on a clear division of efforts between the regional and federal authorities. The Walloon Region has adopted its '*Décret Climat*', and the Brussels Region has adopted the Brussels code of air, climate and energy legislation (COBRACE) but their respective first five-yearly 'air, climate and energy plan' presenting concrete measures has yet to be adopted and implemented. The Flemish Region has adopted the 'Flemish Climate Policy Plan 2013-20', but full implementation has not yet been achieved.	**6.** Ensure that the 2020 targets for **reducing greenhouse gas emissions** from non-ETS activities are met, in particular as regards buildings and transport. Make sure that the contribution of transport is aligned with the objective of reducing road congestion. Agree on a clear distribution of efforts and burdens between the federal and regional entities.

BG	Country Specific Recommendations 2013 **SGP: CSR 1 and MIP: CSR 3, 4, 5**	Assessment of implementation of CSR 2013 **(based on COM staff documents)**	Country Specific Recommendations 2014 **SGP: CSR 1 and MIP: CSR 3, 4, 5**
	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.	**Some Progress:** **Some progress** in ensuring compliance with the MTO. Measured against the recalculated structural balance and also taking into account the so called "investment clause", Bulgaria was compliant with the Pact in 2013. However, there is a risk of deviation from the MTO in 2014-15. **Limited progress** on legislation to improve tax collection and reducing tax compliance costs. The measures taken to fight tax evasion do not address the issues in a comprehensive way. **Some progress** in establishing a fiscal council. In the second half of 2013 the government submitted a proposal to the Parliament on the establishment of an independent body whose mandate includes monitoring the national numerical fiscal rules set out in the Public Finance Act.	**1.** Reinforce the budgetary measures for 2014 in the light of the emerging gap relative to the preventive arm of the Stability and Growth Pact requirements. In 2015, strengthen the budgetary strategy to ensure that the **medium-term objective** is reached and, thereafter, maintained. Ensure the **capacity of the new fiscal council** to fulfil its mandate. Implement a comprehensive tax strategy to strengthen tax collection, tackle the shadow economy and reduce compliance costs.
	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.	**No Progress:** **Some measures** are reversing the reform: freezing of the increase in pensionable age and reintroducing early retirement options. **No commitment** to equalise the statutory retirement age for men and women. **No underpinning** with active labour market measures that promote the employability of older workers.	**2.** Adopt a long-term strategy for the pension system, proceeding with the planned annual **increase in the statutory retirement age** and setting out a mechanism to link the statutory retirement age to life expectancy in the long term, while phasing out early retirement options and equalising the statutory retirement age for men and women. Tighten eligibility criteria and procedures for the allocation of invalidity pensions, for example by taking better account of the remaining work capacity of applicants. Ensure cost effective provision of **healthcare** including by improving the pricing of healthcare services while linking

		<u>No effective changes</u> in eligibility criteria and checks on the allocation of invalidity pensions. **<u>Re-introduction</u>** of a partial wage indexation rule ('the Swiss rule') for pensions.	hospitals' financing to outcomes, accelerating the optimisation of the hospital network and developing out-patient care.
	3. Accelerate the national **Youth Employment Initiative**, for example through a Youth Guarantee. Further strengthen the capacity of the Employment Agency with a view to providing effective counselling to jobseekers and develop capacity for identifying 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. Improve the accessibility and effectiveness of social transfers and services, in particular for children and older people.	**Limited Progress:** **<u>Limited progress</u>** in implementing a functioning Youth Guarantee. The monitoring and evaluation mechanisms of the YG remain weak. **<u>Limited progress</u>** concerning strengthening of the capacity of the Employment Agency and developing capacity to identify and match skill needs. The system for forecasting skill needs is not operational yet. **<u>Limited progress</u>** in enhancing active labour market policies, as policies are not well targeted and impact assessment is missing. **<u>Some action</u>** taken to analyse the impact of increases in minimum thresholds, but with no clear conclusions and policy follow-up. **<u>Some progress</u>** in delivering the National Strategy on Poverty, with the adoption of a National Strategy for Long-term Care and continuation of the process of deinstitutionalisation of children. Progress is limited on improving the accessibility and effectiveness of social transfers and services, in particular for children and older people. **<u>No progress</u>** related to concrete delivery of the National Roma Integration Strategy. Measures still need to be scaled up and integrated into a comprehensive approach towards the inclusion of	**3.** Improve the **efficiency of the Employment Agency** by developing a performance monitoring system and better targeting the most vulnerable, such **as low-skilled and elderly workers, the long-term unemployed and Roma.** Extend the coverage and effectiveness of active labour market policies to match the profiles of job-seekers, and reach out to non-registered young people who are not in employment, education or training, in line with the objectives of a youth guarantee. Improve the effective coverage of unemployment benefits and social assistance and their links with activation measures. Take forward the comprehensive review of **minimum thresholds for social security contributions** so as to make sure that the system does not price the low-skilled out of the labour market. Establish, in consultation with social partners, transparent guidelines for the adjustment of the statutory minimum wages taking into account the impact on employment and competitiveness. In order to **alleviate poverty**, further improve the accessibility and effectiveness of social services and transfers for children and older people.

		Roma children.	
	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.	**No Progress:** **No progress** on the School Education Act as its approval has been postponed again. **Limited progress** in pursuing reform of higher education, a strategy in this area is currently drafted. **No progress** in improving access to inclusive education for disadvantaged children, in particular Roma. **Limited progress** in ensuring effective access to healthcare and improving the pricing of healthcare services. The National Healthcare Strategy 2014-20 has been approved but it lacks a clear implementation timeframe.	**4.** Adopt the School Education Act and pursue the **reforms of vocational and higher education** in order to increase the level and relevance of skills acquired at all levels, while fostering partnerships between educational institutions and business with a view to better aligning outcomes to labour market needs. Strengthen the quality of vocational education and training institutions and improve access to lifelong learning. Step up efforts to improve access to quality inclusive pre-school and school education of disadvantaged children, in particular Roma, and implement strictly the rules linking the payment of child allowance to participation in education.
	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.**	**Limited Progress:** **Some progress** in reducing the administrative burden with a few measures implemented and many more in the pipeline. Foreign trade procedures and the ease of paying taxes show some improvements. **No progress** has been made in the introduction of e-government. A new strategy is being drafted. **Some progress** on the late payments directive — it has been transposed into national law. Its impact on business operation remains to be seen. **Limited progress** in improving the quality and independence of judiciary, as also confirmed by the 2014 CVM report. The strategy for the judiciary is being updated.	**5.** Continue **to improve the business environment, in particular for small and medium-sized enterprises**, by cutting red tape, promoting e-government, streamlining insolvency procedures and implementing the legislation on late payments. Improve the public procurement system by enhancing administrative capacity, strengthening the ex ante checks performed by the Public Procurement Agency and taking concrete steps for the implementation of e-procurement. Enhance the quality and independence of the judiciary and step up the fight against corruption.

		<u>Limited progress</u> in improving access to finance for SMEs and start-ups. JEREMIE-funded seed and venture capital funds have been successful, but SMEs still face difficulties in bank financing.	
	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.	**Limited Progress:** **<u>Some progress</u>** in accelerating absorption (almost doubled in 2013). The effectiveness of investments remains to be assessed. **<u>Limited progress</u>** in the extension of ex ante control by the Public Procurement Agency. Proposed legislative amendments aim at including new types of contracts for ex ante control but have not broadened the scope of supervision of individual contracts.	
	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**.	**Limited Progress:** **<u>No progress</u>** in strengthening the independence and effectiveness of regulation. Administrative capacity is insufficient and staff turnover is high. No progress in strengthening the capacity of the regulator to perform its responsibilities in the water sector. Some progress in waste management through changing the local taxes law. The reform of the Road Infrastructure Agency has not started yet. **<u>Limited progress</u>** in setting up transparent wholesale markets. Bulgaria transposed the missing elements of the 'Third Package' electricity and gas directives and unbundled the system operator in the power sector. **<u>Limited progress</u>** in accelerating electricity and gas interconnector projects, with only one small project completed.	**6.** Scale up the reform of the energy sector in order to increase competition, market efficiency and transparency, and energy efficiency, in particular by **removing market barriers**, reducing the weight of the regulated segment, stepping up efforts for the **creation of a transparent wholesale market for electricity and gas**, phasing out quotas, and strengthening the independence and administrative capacity of the energy regulator. Accelerate interconnector projects with neighbouring Member States and candidate countries, in particular for gas, and enhance the capacity to cope with disruptions.

		Limited progress in energy efficiency, shown through the early delivery of obligation schemes and technical preparation of the calculation methods.	

CZ	[Country Specific Recommendations 2013](#) **SGP: CSR 1 and MIP: CSR -**	[Assessment of implementation of CSR 2013](#) **(based on COM staff documents)**	[Country Specific Recommendations 2014](#) **SGP: CSR 1 and MIP: CSR -**
	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.	**Some Progress:** The recommendation on the correction of the excessive deficit was **fully addressed**. The excessive deficit has been sustainably brought below the 3% of GDP threshold in line with the Council recommendation. **Some progress** in budgetary strategy for 2014 and beyond. The MTO was reached in 2014 but a deviation from it is expected in 2015 and beyond according to the convergence programme. **Limited progress** in prioritising growth enhancing expenditure including committing on time remaining projects cofinanced by EU funds. Public investment dropped by 12% in 2013. A significant increase is planned for 2014 but this depends crucially on the expected realisation of the remaining EU-funded projects. The de-commitment of EU Funds was one of the highest in the EU in 2013.	**1.** Following the **correction of the excessive deficit,** preserve a sound fiscal position in 2014. Significantly strengthen the budgetary strategy in 2015 to ensure that the medium-term objective is achieved and **remain at the medium-term objective** thereafter. Prioritise growth-enhancing expenditure to support the recovery and improve growth prospects. Adopt and implement measures to strengthen the fiscal framework, and in particular establish an independent fiscal institution to monitor fiscal policies, introduce fiscal rules for local and regional governments and improve coordination between all layers of government.
	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.	**Limited Progress:** **No progress** in reducing the high level of taxation on labour. No changes have been made to labour taxation in the past year. The reform planned for 2015 will be significantly modified. **No progress** in increasing the recurrent tax on housing and vehicle circulation taxes. No changes have been implemented in these two areas. No reforms have been announced.	**2.** Improve **tax compliance with a particular focus on VAT** and reduce the costs of collecting and paying taxes by simplifying the tax system and harmonising the tax bases for personal income tax and social and health contributions. **Reduce the high level of taxation on labour**, particularly for low-income earners. Shift taxation to areas less detrimental to growth, such as recurrent taxes on housing and environmental taxes. Further reduce discrepancies in the tax treatment of employees and the self-employed.

		<u>Limited progress</u> in reducing discrepancies between employees and the self-employed. No changes have been implemented in the past year, except for the rather minor measures in force since the beginning of 2013. Some measures are announced for 2015 and 2016. **<u>Some progress</u>** in improving tax compliance. Measures were put in place mainly in the area of VAT compliance and a new act on fuels was adopted in October 2013. **<u>Limited progress</u>** in reducing compliance costs. Electronic tax submission has been strengthened, but tax bases have not been harmonised and the single collection point will not be implemented in 2015 as originally planned.	
	3. Increase the **effective retirement age** by aligning retirement age or pension benefits to changes in life expectancy, and review 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.	**No Progress:** **<u>No progress</u>** in increasing the effective retirement age. The planned path for the pensionable age remained unchanged, rising slowly, in particular for men. The indexation mechanism has not been reviewed. **<u>Limited progress</u>** in accompanying the increase in retirement age with measures promoting the employability of older workers. Some measures have been taken but for the most part they do not address the motivation of workers to invest in keeping their labour-market skills up-to-date. **<u>No progress</u>** in removing the public subsidy for the pre-retirement scheme. Elimination of the subsidy is not expected. **<u>No progress</u>** in improving the cost-effectiveness of	**3.** Ensure the long-term sustainability of the public pension scheme, in particular by **accelerating the increase of the statutory retirement age** and then by linking it more clearly to changes in life expectancy. Promote the employability of older workers and review the pension indexation mechanism. Take measures to improve significantly the cost-effectiveness and governance of the healthcare sector, in particular for hospital care.

		healthcare expenditure. Plans to streamline hospital-bed capacity and to improve integrated care practices have not been implemented.	
	4. Take additional efforts 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 provision of childcare services and strengthening the capacities of both public and private childcare services.	**Limited Progress:** **Limited progress** in taking additional steps to strengthen the efficiency and effectiveness of PES. The PES was reinforced, but it suffers from a lack of a long-term strategic direction. **Limited progress** in significantly increasing the availability of inclusive childcare facilities with a focus on children up to three years old, and on increasing the participation of Roma children. A draft law on child groups was approved by the government but its effectiveness will depend on the level of incentives included in the final version.	**4. Strengthen the efficiency and effectiveness of the public employment service**, in particular by setting up a performance measurement system. Increase participation of unemployed youth in individualised services. Increase considerably the availability of **affordable and quality childcare facilities and services**, with a focus on children up to three years old.
	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 the capacity for implementation of public tenders at local and regional level.	**Limited Progress:** **Limited progress** in implementing the anticorruption strategy. Minor anti-corruption measures have been put in place but the main reforms outlined in the strategy have not been implemented. **No progress** in adopting the Public Servants Act. Its adoption has been significantly delayed and is now under discussion in parliament. **Limited progress** in improving the management of EU funds. The measures included in the 2012 action plan continued to be implemented in 2013. **Limited progress** in strengthening the capacity for implementing public tenders. Administrative capacity of some public bodies has been strengthened but it remains insufficient and	**7.** In 2014, adopt and implement a **Civil Service Act** that will ensure a stable, efficient and professional state administration service. Speed up and substantially reinforce the **fight against corruption** by implementing the remaining legislative measures provided for in the anti-corruption strategy for 2013-2014 and by developing plans for the next period. Further improve the management of EU funds by simplifying implementing structures, improving capacity and tackling conflicts of interest. Increase **transparency of public procurement** and improve the implementation of public tenders by providing appropriate guidance and supervision.

		guidance and training for staff responsible for applying the public procurement rules is insufficient.	
	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.	**Limited Progress:** **<u>Some progress</u>** in setting up a comprehensive evaluation framework in compulsory education. Some measures have been put in place. **<u>No progress</u>** in adopting measures to improve accreditation and funding of higher education. Political instability delayed the adoption of the revised Act on Higher Education that had been announced for 2013. **<u>Some progress</u>** in increasing the proportion of performance-based funding of research institutions. A revised methodology for evaluating research in 2013-15 was adopted in 2013 but the changes are minor and the evaluation itself has been delayed.	**5.** Ensure that the accreditation, governance and financing of **higher education** contribute to improving its quality and labour market relevance. Accelerate the development and introduction of a new methodology for evaluating research and allocating funding in view of increasing the share of performance-based funding of research institutions. In compulsory education, make the teaching profession more attractive, implement a comprehensive evaluation framework and support schools and pupils with poor outcomes. Increase the **inclusiveness of education**, in particular by promoting the participation of socially disadvantaged and Roma children in particular in early childhood education.
	7. Drawing on the on-going review, proceed with a **reform of regulated professions**, by reducing or eliminating entry barriers and reserves of activities where they are unjustified. Take further measures to **improve energy efficiency** in the buildings and industry sectors.	**Limited Progress:** **<u>Limited progress</u>** in introducing a reform of regulated professions. Only around 40 professions were opened up in 2013 and the number of regulated professions remains high. **<u>Limited progress</u>** in improving energy efficiency. An indicative national energy efficiency target was set and national energy efficiency measures announced in 2013. The measures are non-binding and depend heavily on public funding.	**6.** Accelerate the **reform of regulated professions**, focusing on the removal of unjustified and disproportionate requirements. Step up the efforts to **improve energy efficiency** in the economy.

DK	Country Specific Recommendations 2013 **SGP: CSR 1 and MIP: CSR 3**	Assessment of implementation of CSR 2013 **(based on COM staff documents)**	Country Specific Recommendations 2014 **SGP: CSR 1 and MIP: CSR -**
	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 **adequate fiscal effort to remain at the medium-term objective.**	**Substantial Progress:** Denmark is pursuing prudent fiscal policy, complying with the EU recommendation and **meeting** the excessive deficit procedure (EDP) requirements. Latest forecasts project that the budget deficit will stay below 3% over the period 2013-15 and Denmark will **continue to meet** its fiscal medium-term objective (MTO).	**1.** Following the **correction of the excessive deficit**, continue to pursue a growth-friendly fiscal policy and preserve a sound fiscal position, **ensuring that the medium-term budgetary objective** continues to be adhered to throughout the period covered by the Convergence Programme.
	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.	**Some Progress:** Recent labour market reforms include reforms of disability pension, flexi-job, cash benefits, and sickness benefit — and a reform of the active labour market policies is in the pipeline; but the current situation for those at the margins of the labour market has **not yet markedly improved**. The vocational education and training reform addresses quality and drop-out rates. The low number of apprenticeships **remains a concern**. **Some progress** has been also made in terms of improving the cost-effectiveness of the education system; and in reforming primary and lower secondary education.	**2.** Take further measures to improve the **employability of people at the margins** of the labour market. Improve educational outcomes, in particular for young people with a migrant background, and the effectiveness of vocational training. Facilitate the transition from education to the labour market, including through a wider use of work-based training and apprenticeships.
	3. Continue efforts to remove **obstacles to competition** in the services sector including in the retail and construction sectors and enhance effectiveness in the provision of public services.	**Limited Progress:** **A few concrete initiatives were taken** in 2013. A reform on the professions of plumbers and electricians was adopted by the national	**3.** Increase efforts to **remove barriers to entry and reduce regulatory burden** with a view to increasing competition in the domestic services sector, in particular in retail and construction, as recommended by the Productivity Commission.

		parliament in April 2014. The findings of the Productivity Commission and the Danish government's efforts to identify the market barriers in the services sectors will prepare the ground for **future reforms** strengthening competition. An upcoming Growth Plan — which is **currently under negotiation** — will build on the Productivity Commission's recommendations. It should be ambitious and also target the competition issues in retail and construction.	

DE	Country Specific Recommendations 2013 **SGP: CSR 1 and MIP: CSR -**	Assessment of implementation of CSR 2013 **(based on COM staff documents)**	Country Specific Recommendations 2014 **SGP: CSR 1 and MIP: CSR 1, 2, 3, 4**
	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 care 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.	**Some Progress:** The recommendation to preserve a sound fiscal position has been **fully addressed**. Germany recorded a balanced budget and a structural surplus in 2013. It plans continued compliance with the medium-term budgetary objective and to steadily bring down the debt-to-GDP ratio over the programme period. **Limited progress** in enhancing the cost-effectiveness of public spending on healthcare and long-term care. Measures containing price increases for pharmaceuticals have been prolonged. New measures aimed at improving the quality and cost-effectiveness of healthcare have been announced but not yet specified. **No progress** in improving the efficiency of the tax system. No major measures have been taken or announced to shift towards more growth friendly revenue sources. **Limited progress** in raising expenditure on education and some progress as regards more research spending. The federal government plans continued contributions to the financing of educational infrastructure, but the share of public spending on education in GDP remains below-average. In contrast, the share of public and private expenditure on R&D in GDP has increased in recent years.	**1.** Pursue growth-friendly fiscal policy and preserve a sound fiscal position, ensuring that the **medium-term budgetary objective continues to be adhered** to throughout the period covered by the Stability Programme and that the general government debt ratio remains on a sustained downward path. In particular, use the available scope for increased and more efficient public investment in infrastructure, education and research. Improve the **efficiency of the tax system**, in particular by broadening the tax base, in particular on consumption, by reassessing the municipal real estate tax base, by improving the tax administration and by reviewing the local trade tax, also with a view to foster private investment. Make additional efforts to increase the cost-effectiveness of public spending on healthcare and long-term care. Ensure the **sustainability of the public pension system** by (i) changing the financing of new non-insurance/extraneous benefits ("*Mütterrente*") to funding from tax revenues, also in order to avoid a further increase of social security contributions, (ii) increasing incentives for later retirement, and (iii) increasing the coverage in second and third pillar pension schemes. Complete the implementation of the debt brake consistently across all *Länder*, ensuring that monitoring procedures and correction mechanisms are timely and relevant. Improve the design of fiscal relations between the federation, *Länder* and municipalities also with a view to ensuring adequate public investment at all levels of government.

		Some progress in completing the 'debt brake'. Two more *Länder* have amended their constitutions and two further *Länder* have laid down specific implementing rules.	
	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 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 further increase the availability of fulltime **childcare facilities** and all-day schools.	**Limited Progress:** **Some progress** in sustaining conditions that enable wage growth to support domestic demand. Wages have increased in recent years and are expected to continue growing. **Limited progress** in reducing the high tax wedge, especially for low-wage earners. The increase in the basic income tax allowance slightly reduced the tax burden on labour and curbed the impact of fiscal drag only partially. The recent pension reform leads to increased pension contributions and thus potentially to a higher tax wedge. **Some progress** in raising the educational achievement of disadvantaged people. The NRP reports on efforts by the federal government and the *Länder* to tackle educational disadvantage. **Limited progress** in maintaining appropriate activation and integration measures. Some measures are being taken, but Germany has not assessed the effectiveness of the 2011 reform of active labour instruments. **Limited progress** in facilitating the transition from non-standard employment to more sustainable forms of employment. The NRP announces measures related to the maximum duration and payment of temporary work, the mini-jobs and the right to return from part-time to full-time work, but these measures are not further specified.	**2.** Improve conditions that further support domestic demand, inter alia by **reducing high taxes and social security contributions**, especially for low-wage earners. When implementing the general minimum wage, monitor its impact on employment. Improve the employability of workers by further raising the educational achievement of disadvantaged people and by implementing more ambitious activation and integration measures in the labour market, especially for the long-term unemployed. Take measures to **reduce fiscal disincentives to work,** in particular for second earners, and facilitate the transition from mini-jobs to forms of employment subject to full mandatory social security contributions. Address regional shortages in the availability of **fulltime childcare facilities and all-day schools** while improving their overall educational quality.

		No progress in removing disincentives for second earners. The announced further promotion of the option of shifting the allocation of the basic income-tax allowance between spouses (*Faktorverfahren*) is likely to have only a limited impact, since the annual tax burden remains unchanged. **Some progress** in further increasing the availability of full-time childcare facilities. The quantity of childcare facilities has grown rapidly and additional funds for investment in childcare are planned. **Limited progress** in increasing the availability of all-day schools. Despite *Länder* efforts to improve the provision of all-day schools, there appears to be scope for improvement.	
	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 further 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.	**Some Progress:** **Some progress** in improving the coordination of energy policy with neighbouring countries. Some measures are being taken to improve coordination with neighbouring countries, e.g. to jointly manage unscheduled flows at the Czech and Polish borders. **Some progress** in reviewing the cost-effectiveness of energy policy instruments designed to achieve the renewable energy targets. The federal government has adopted a proposal for a revision of the Renewable Energy Act that could contribute to increasing the cost-effectiveness of the support for renewable energy. **Some progress** in accelerating the expansion of the national and cross-border electricity and gas networks. The Federal Requirements Plan (*Bundesbedarfsplan*) has been implemented and the	**3.** Keep the overall costs of transforming the energy system to a minimum. In particular, monitor the **impact of the Renewable Energy Act reform** on the cost-effectiveness of the support system for renewable energies. Reinforce efforts to accelerate the expansion of the national and cross-border electricity and gas networks. Step up close energy policy coordination with neighbouring countries.

		federal regulator has been granted new competences, but network expansion is still lagging behind.	
	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.	**Limited Progress:** **Limited progress** in taking measures to further stimulate competition in the service sector. Germany has undertaken isolated reforms in specific professions and regions. **Limited progress** in increasing the value of public contracts open to procurement. Steps in the right direction, including the development of a database on procurement procedures. **Full implementation** of improved enforcement of competition law as regards competition restrictions. The revised Act against Competition Restrictions came into force in 2013. **No progress** in removing planning regulations that unduly restrict new entries in the retail sector. No measures have been taken. **Limited progress** in taking further measures to eliminate the remaining barriers to competition in the railway markets. No significant steps to improve competition in the railway markets. The NRP announces the transposition of European legislation into national law. **Limited progress** in pursuing efforts for consolidation in the banking sector, including by improving the governance framework. While Commission state-aid decisions have driven the restructuring of *Landesbanken*, no major measures	**4.** Take more ambitious measures to further stimulate **competition in the services sector**, including certain professional services, also by reviewing existing regulatory approaches and converging towards best practices across *Länder*. Identify the reasons behind the low value **of public contracts open to procurement** under EU legislation. Increase efforts to remove unjustified planning regulations which restrict new entries in the retail sector. Take action to remove the remaining **barriers to competition** in the railway markets. Pursue consolidation efforts in the *Landesbanken* sector, including by improving the governance framework.

		have been taken to address possible impediments to market-driven consolidation in the public banking sector.	

EE	Country Specific Recommendations 2013 **SGP: CSR 1 and MIP: CSR -**	Assessment of implementation of CSR 2013 **(based on COM staff documents)**	Country Specific Recommendations 2014 **SGP: CSR 1 and MIP: CSR -**
	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.	**Some Progress:** The draft 2014 Budget was adopted as planned, however, the deterioration of the growth outlook and the lowered fiscal targets compared with the previous programme could pose a risk of a **significant deviation** from the Medium Term Objective in 2014 and 2015. The State Budget Act entered into force on 23 April 2014, hence the commitments made under the Treaty on Stability, Coordination and Governance have **broadly been met.** The new law includes a 4-year expenditure ceiling but this is not binding within the medium-term budgetary framework. **No progress** on introducing a multiannual expenditure rule.	**1.** Reinforce the **budgetary measures** for 2014 in the light of the emerging gap of 0,3 % of GDP based on the Commission services 2014 spring forecast, pointing to a risk of significant deviation relative to the preventive arm of the Stability and Growth Pact requirements. In 2015, significantly **strengthen the budgetary strategy to ensure that the medium-term objective is reached** and, thereafter, maintained. Complement the budget rule with more binding multi-annual expenditure rules within the medium-term budgetary framework and continue to enhance the efficiency of public spending.
	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 coordinated measures for fostering economic development in regions affected by high unemployment.	**Some Progress:** **Some progress** in improving incentives to work: parents' return to the labour market is more flexible, needs-based family benefits are in place with rates to be increased twofold and the inter-operability of the benefit system is being improved. **Limited progress** in delivering childcare for children 1.5-3 years of age but the government approved the draft new Pre-School Act on 10 April and the Parliament is reading it. **Substantial progress** in addressing long-term unemployment by means of 'activation' measures. **Limited progress** so far on the major reform on	**2.** Improve **incentives to work** through measures targeted at low income earners. Target activation efforts by ensuring the timely adoption and implementation of the work capacity reform. Increase the efficiency and cost-effectiveness of family policy while improving the availability and accessibility of childcare. Deploy coordinated measures for fostering economic development and entrepreneurship in regions faced with high unemployment.

		working capacity: adoption of the necessary legislation foreseen for 2014 and entry into force as of mid-2015. **Limited progress** in promoting economic development in regions; projects, including industrial parks, to be financed from 2014 onwards, with impact on job creation yet to be expected.	
	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 internationalise the research and innovation systems and enhance cooperation between businesses, higher education and research institutions.	**Substantial Progress:** **Substantial progress** in addressing youth unemployment by means of 'activation' measures and thanks to the favourable economic environment. **Substantial progress** in reforming general upper secondary school, vocational education and training and higher education, where all reforms are in the implementation phase. Delays in adjustments to the Adult Training Act. **Some progress** in improving the relevance of education for the labour market: the national strategy on lifelong learning was adopted in February 2014. Creating closer links between the education sector and labour market needs remains an open issue however, particularly in respect of vocational education and training and apprenticeships. Moreover, the number of graduates in science, technology, engineering and mathematics is still relatively low compared with the EU average and other countries in the region. **Some progress** has been made in adopting the new strategy on research, development and innovation for 2014-20, 'Knowledge-based Estonia', and the strategy on entrepreneurship for 2014–20, which highlight the importance of improving cooperation	**3.** To ensure the **labour-market relevance of education and training systems**, improve skills and qualification levels by expanding lifelong learning measures and systematically increasing participation in vocational education and training, including in apprenticeships. Further intensify prioritisation and specialisation in the research and innovation systems and enhance cooperation between businesses, higher education and research institutions to contribute to international competitiveness.

		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. Step up the development of cross- border energy connections to diversify energy sources and promote competition in the energy market.	**Some Progress:** **Limited progress** in energy efficiency in buildings: energy efficiency in buildings is being addressed via EU Structural Funds. Further progress in the building sector is dependent on funding from the EU funds for 2014-20. The Estonian government tightened energy efficiency requirements for public buildings in January 2013, bringing legislation into line with the EU Energy Efficiency Directive, and extended the support scheme for renovations of apartments in August 2013. Planning and preparation of measures relating to residential and industrial buildings are in their initial stages. **Limited progress** in energy efficiency in transport: the measures undertaken so far include establishing energy efficiency criteria for public procurement, developing a more energy-efficient public transport fleet, pursuing the on-going electromobility programme 2012-14 and extending the quick-charging infrastructure for electric cars across the country. No new environmental incentives relating to vehicles have been adopted recently. Estonia still has the second most energy-intensive car fleet in the EU. The new government foresees the partial removal of preferential VAT treatment for corporate cars. There are signs of an increased use of urban public transport and passenger rail. **Substantial progress** in the area of waste: economic instruments (e.g. a progressive increase of the landfill tax, the application of extended producer responsibility and deposit refund schemes) and the entry into operation of new mechanical biological	**4.** Step up efforts to **improve energy efficiency**, in particular in residential and industrial buildings. Substantially strengthen environmental incentives for the transport sector to contribute to less resource-intensive mobility. Continue the development of cross-border connections to neighbouring Member States to diversify energy sources and promote competition through improved integration of the Baltic energy markets.

		treatment facilities have led to a reduction in the proportion of waste being sent to landfill sites. Environmental taxation provides for a 20 % progressive increase in the tax imposed on oil-shale waste starting from 1.4.2013. The National Waste Management Plan was submitted to Parliament on 20 April. Additional efforts to increase recycling will however be needed if the 50 % recycling target is to be reached by 2020. **<u>Some progress</u>** in cross-border energy connections: trading via Nord Pool Spot and the Estlink 2 cable (connecting Estonia with Finland) operational. Agreements reached on 28 February to build regional liquefied natural gas terminals both in Estonia and in Finland and a gas supply pipeline (Baltic connector) connecting the two countries.	
	5. Better balance **local government** revenue against devolved responsibilities. Improve the efficiency of local governments and ensure quality provision of local public services.	**Limited Progress:** **<u>Limited progress</u>** so far on the local government revenue incentives: lack of financial incentives encouraging local initiatives to increase local revenue. The Equalisation Fund still creates disincentives for municipalities to attract enterprises or support job creation. **<u>Limited progress</u>** in the provision of good quality and affordable local services: legislative changes to ensure the applicability of minimum standards in social services to all municipalities have been announced, but are not expected to be adopted by the government before summer. The government adopted a new Regional Strategy for 2014-20 on 20 March. The draft new Local Government Act is unlikely to proceed. The coalition agreement of the new government has committed to preparing a government reform programme by 2015.	**5.** Better balance **local government** revenue against devolved responsibilities. Improve the efficiency of local governments and ensure the provision of quality public services at local level, especially social services complementing activation measures.

IE	Country Specific Recommendations 2013	Assessment of implementation of CSR 2013 (based on COM staff documents)	Country Specific Recommendations 2014 SGP: CSR 1, 2 and MIP: CSR 1, 3, 5, 6
	To avoid duplication with measures set out in the Economic Adjustment Programme, there are no additional recommendations for Ireland.		**1.** Fully implement the 2014 budget and ensure the **correction of the excessive deficit** in a sustainable manner by 2015 through underpinning the budgetary strategy with additional structural measures while achieving the structural adjustment effort specified in the Council recommendation under the Excessive Deficit Procedure. After the correction of the excessive deficit, pursue a structural adjustment towards the **medium-term objective** of at least 0,5 % of GDP each year, and more in good economic conditions or if needed to ensure that the debt rule is met in order to put the high general government debt ratio on a sustained downward path. Enhance the credibility of the fiscal adjustment strategy, effectively implement multi-annual budgetary planning and define broad budgetary measures underlying the medium-term fiscal targets. Ensure the binding nature of the government expenditure ceiling including by limiting the statutory scope for discretionary changes. To support fiscal consolidation, consideration should be given to raising revenues through broadening the tax base. Enhance the growth and environmental friendliness of the tax system.
			2. Advance the reform of the **healthcare sector** initiated under the Future Health strategic framework to increase cost-effectiveness. Pursue additional measures to reduce pharmaceutical spending, including through more frequent price realignment exercise for patented medicines, increased generic penetration and improved prescribing practices. Reform the financial

			management systems of the national health authority to streamline systems across all providers and to support better claims management. Roll out individual health identifiers starting by the end of the first quarter of 2015 at the latest.
			3. Pursue further improvements in **active labour market policies**, with a particular focus on the long-term unemployed, the low-skilled and, in line with the objectives of a youth guarantee, young people. Advance the ongoing reform of the further education and training (FET) system, employment support schemes and apprenticeship programmes. Offer more workplace training; improve and ensure the relevance of FET courses and apprenticeships with respect to labour market needs. Increase the level and quality of support services provided by the Intreo labour offices. Put in place a seamless FET referrals system between Intreo offices and Education and Training Boards.
			4. Tackle low work intensity of households and address the poverty risk of children through tapered withdrawal of benefits and supplementary payments upon return to employment. **Facilitate female labour market participation** by improving access to more affordable and full-time childcare, particularly for low income families.
			5. Advance policies for the SME sector including initiatives to address the availability of bank and non-bank financing and debt restructuring issues, while avoiding risks to public finances and financial stability. Advance initiatives to improve **SME's access to bank credit and non-bank finance**. Introduce a monitoring system for SME lending in the banking sector. In parallel, work to ensure that available non-bank credit facilities, including the three SME funds co-funded by the National Pensions Reserve Fund, Microfinance Ireland and

			the temporary loan guarantee scheme, are better utilised. Promote the use of these and other non-bank schemes by SMEs. Enhance the Credit Review Office's visibility and capabilities in mediating disputes between banks and prospective SME borrowers who have been refused credit.
			6. Monitor banks' performance against the mortgage arrears restructuring targets. Announce ambitious targets for the third and fourth quarters of 2014 for the principal mortgage banks to propose and conclude restructuring solutions for mortgage loans in arrears of more than 90 days, with a view to substantially **resolving mortgage arrears** by the end of 2014. Continue to assess the sustainability of the concluded restructuring arrangements through audits and targeted on-site reviews. Develop guidelines for the durability of solutions. Publish regular data on banks' SME loan portfolios in arrears to enhance transparency. Develop a strategy to address distressed commercial real-estate exposures. Establish a central credit registry.
			7. Reduce the cost **of legal proceedings and services and foster competition**, including by adopting the Legal Services Regulation Bill by the end of 2014, including its provision allowing the establishment of multi-disciplinary practices, and by seeking to remove the solicitor's lien. Monitor its impact, including on the costs of legal services. Take executive steps to ensure that the Legal Services Regulatory Authority is operational without delay and that it meets its obligations under the legislation, including in terms of publishing regulations or guidelines for multi-disciplinary practices and the resolution of complaints. Improve data collection systems to enhance the monitoring and evaluation of the efficiency of judicial proceedings to identify issues in need of reform.

EL	Country Specific Recommendations 2013	Assessment of implementation of CSR 2012 (based on COM staff documents)	Country Specific Recommendations 2014
	To avoid duplication with measures set out in the Economic Adjustment Programme, there are no additional recommendations for Greece.		

ES	Country Specific Recommendations 2013 **SGP: CSR 1 and MIP: CSR 1, 2, 3, 4, 5, 7, 8, 9**	Assessment of implementation of CSR 2013 **(based on COM staff documents)**	Country Specific Recommendations 2014 **SGP: CSR 1 and MIP: CSR 1, 2, 3, 4, 6, 7, 8**
	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	**Some Progress:** **Some progress** – The headline target is likely to be slightly overachieved in 2014. However, although Spain plans to meet the headline EDP targets recommended in June 2013, budgetary targets are subject to downside risks (in particular for 2015 and after) and the planned fiscal efforts fall short of the Council's recommendations throughout the programme. **Substantial progress** – Compared to 2012, there has been progress on implementing the Budgetary Stability Organic Law, in particular, as regards the availability of detailed and comprehensive evaluation reports of regions' economic and financial plans. **Some progress** – Spain's independent fiscal institution was created by law in November 2013, The creation of Spain's independent fiscal institution did not, however, meet the deadline provided for in EU law, and the delay in setting it up has resulted in the AIREF not being able to assess the 2014 stability programme. **Some progress** – Spain did not conduct a specific comprehensive and systematic review of major spending items by March 2014, as recommended in the CSR. However, measures to rationalise spending on health, employment, and public administration provide information on some key expenditure items.	**1. Reinforce the budgetary strategy** as of 2014, in particular by fully specifying the underlying measures for the year 2015 and beyond, to ensure the **correction of the excessive deficit in a sustainable manner by 2016** through achieving the structural adjustment effort specified in the Council Recommendation under the Excessive Deficit Procedure. A durable correction of the fiscal imbalances requires a **credible implementation of ambitious structural reforms** to increase the adjustment capacity and boost growth and employment. After achieving the correction of the excessive deficit, pursue a structural adjustment towards the medium-term objective of at least 0,5 % each year, and more in good economic conditions or if needed to ensure that the debt rule is met in order to put the high general government debt ratio on a sustained downward path. **Ensure that the new independent fiscal authority becomes fully operational as soon as possible** and ensure a full implementation of the preventive, corrective and enforcement measures in the Budgetary Stability Organic Law at all levels of government, including on the elimination of public sector commercial arrears. Carry out by February 2015 a systematic review of expenditure at all levels of government to underpin the efficiency and quality of public spending going forward. Continue to **increase the cost-effectiveness of the healthcare sector**, in particular by further rationalising pharmaceutical spending, including in hospitals and strengthening coordination across types of care, while maintaining accessibility for vulnerable groups. **Adopt by the**

	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 increasing the effective retirement age by aligning retirement age or pension benefits to changes in life expectancy.	**<u>Some progress</u>** – Measures to contain expenditure in the healthcare sector have been gradually implemented. Measures to guarantee access to healthcare for vulnerable groups have been taken, but the number of complaints regarding restrictions on access has grown. **<u>Substantial progress</u>** – Measures to prevent late payments by the public sector and to establish permanent tools to monitor and control commercial debt in the public sector were adopted in December 2013. This follows measures to pay down commercial arrears through the three waves of the Supplier's Payment Scheme (throughout 2012 and the first quarter of 2014). However, at the time of writing, implementing legislation needed to be adopted, so that the enforcement mechanisms set out in the law could be applied. **<u>Some progress</u>** – The dis-indexation draft law was sent to parliament in December 2013 and its parliamentary adoption is expected throughout 2014. The law needs to be accompanied by secondary legislation to set out the details of periodic and non-periodic indexation, although its principles have already come into effect on public sector contracts, with the 2014 budget law **<u>Fully addressed</u>** – The sustainability factor for the pension system was regulated in 2013 and indexation of pensions was reviewed.	**end of 2014 a comprehensive tax reform** to make the tax system simpler and more conducive to growth and job creation, preservation of the environment and stability of revenues. To that end, shift revenues towards less distortive taxes, such as consumption, environmental (e.g. on motor fuels) and recurrent property taxes; remove inefficient personal and corporate income tax expenditures; consider lowering employers' social security contributions, in particular for low-wage jobs; continue to tackle the debt bias in corporate taxation; take measures to avoid that taxation hinders the smooth functioning of Spain's internal market. **Step up the fight against tax evasion**.
	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 excise duties and fuel	**Some Progress:** **<u>Some progress</u>** – The government appointed an expert committee in July 2013. On 13 March 2014, it delivered its report, which focuses on simplifying the tax system and increasing its efficiency.	

	taxes. Take further measures to address the debt bias in corporate taxation. Intensify the fight against the shadow economy and undeclared work,	**Some progress** – The reform proposal has not yet been adopted by the government. The plan to combat fraud and undeclared work is being implemented, but this work will end in 2014.	
	3. Implement the **financial sector programme** for the recapitalisation of the financial institutions, including the measures promoting non-bank intermediation adopted in November 2012.	**Full Progress:** Spain has **fully addressed** CSR 3 of the Council Recommendation.	**2. Complete the reform of the saving banks sector**, as regards the adoption of secondary legislation and complete the restructuring of state-owned savings banks in order to accelerate their full recovery and facilitate their return to private ownership. Promote banks' efforts to sustain strong capital ratios, monitor the asset management company Sareb's activity in order to ensure timely asset disposal while minimising the cost to the taxpayer. Complete the ongoing measures to widen SMEs access to finance, in particular by finalising the ongoing measures to improve non-bank financial intermediation. Remove remaining bottlenecks in the corporate insolvency framework, in particular by enhancing the expertise of insolvency administrators and the capacity of the judicial system to handle insolvency cases, and develop a permanent framework for personal insolvency, paying due attention to balanced creditor/borrower rights and financial stability considerations.
	4. 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.	**Some Progress:** **Some progress** – The government published its evaluation of the labour reform in August 2013, and a separate assessment from the OECD, commissioned by the government to complement its own evaluation, was published in December 2013. These evaluations have so far not been followed by announcements of significant amendments to labour market legislation. **Some progress** – As part of the reform of active	**3**. Pursue new measures to **reduce labour market segmentation** to favour sustainable, quality jobs, for instance through reducing the number of contract types and ensuring a balanced access to severance rights. Continue regular monitoring of the **labour market reforms**. Promote real wage developments consistent with the objective of creating jobs. Strengthen the job-search requirement in unemployment benefits. Enhance the effectiveness and targeting of active labour market policies, including hiring subsidies, particularly for those facing more difficulties in accessing

	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.	labour market policies, the annual employment plan was published in August 2013. Evaluation of this plan, the 2014-16 activation strategy and a new 2014 annual employment plan are being prepared **Limited progress** – Work is underway to improve the cooperation between public and private employment agencies. Apart from the mutual learning programme among regional PES, recently put in place, no further measures were adopted to strengthen public employment services. **Limited progress** – Limited progress, despite updating the catalogue of professional certificates. **Limited progress** – Work on the single job portal is on-going, but it has not been completed. Work on improving the cooperation between public and private employment agencies is also on-going, but it needs to be fully and effectively implemented.	employment. Reinforce the coordination between labour market and education and training policies. Accelerate the **modernisation of public employment services** to ensure effective personalised counselling, adequate training and job-matching, with special focus on the long-term unemployed. Ensure the effective application of public-private cooperation in placement services before the end of 2014, and monitor the quality of services provided. Ensure the effective functioning of the **Single Job Portal** and combine it with further measures to support labour mobility.
	5. 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' performance by the end of 2013.	**Some Progress:** **Some progress** – There has been progress implementing the 2013-16 youth employment and entrepreneurship strategy. The first evaluation is expected in summer 2014. The draft national Youth Guarantee implementation plan was submitted to the Commission in December 2013. **Some progress** – Spain has begun a reform of its vocational education and training system, to better adapt young people’s skills to labour market needs and to make vocational education and training more attractive. National authorities are planning to complete the legislative framework after evaluating the first pilot cycle at the end of 2014/15. The organic draft law on the quality of education,	**4. Implement the 2013-2016 Youth Entrepreneurship and Employment Strategy** and evaluate its effectiveness. Provide good quality offers of employment, apprenticeships and traineeships for young people and improve the outreach to non-registered unemployed young people, in line with the objectives of a youth guarantee. Effectively **implement the new educational schemes** to increase the quality of primary and secondary education. Enhance guidance and support for groups at risk of early school leaving. Increase the labour-market relevance of vocational education and training and of higher education, in particular by enhancing the cooperation with employers and supporting the training of trainers and tutors.

		which is expected to have a significant impact on reducing early school leaving and improving the quality of education, was adopted in November 2013. It will come into force in stages, over the 2014/15 and 2016/17 academic years. It is therefore too early to assess its effectiveness. Spain is also working on designing its lifelong learning plan.	
	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.	**Some Progress:** **Some progress** – The 2013-16 national action plan on social inclusion was adopted in December 2013; its implementation will need to be closely monitored. The 2013 annual employment plan also contains some measures to improve the employability of the most disadvantaged. Other relevant measures include the continuation of the PREPARA programme, a programme for professional requalification. **Limited progress** – Limited progress has been made on measures to tackle child poverty and improve the efficiency of family support services. The approval of the second strategic plan for childhood and adolescence (PENIA II) in April 2013 and of the 2013-16 national action plan on social inclusion in December 2013 send a positive signal, although these have yet to be implemented. They will need to be complemented by other plans, such as the comprehensive family support strategy (PIAF) which should provide a framework for social, legal and economic support and protection for large families, single parents and families with special needs.	**5. Implement the 2013-2016 National Action Plan on Social Inclusion** and assess its effectiveness covering the full range of its objectives. Strengthen administrative capacity and coordination between employment and social services in order to provide integrated pathways to support those at risk, and boost, among the Public Administrations responsible for the minimum income schemes, streamlined procedures to support transitions between minimum income schemes and the labour market. Improve the targeting of family support schemes and quality services favouring low-income households with children, to ensure the progressivity and effectiveness of social transfers.
	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	**Some Progress:** **Substantial progress** – The law on the guarantee of market unity was adopted in December 2013. Its	**6. Ensure an ambitious and swift implementation of Law No 20/2013 on Market Unity** at all levels of administration. Adopt an ambitious reform of professional services and of professional

	the newly created regulatory authority. By the end of 2013, adopt and implement the Law on professional associations and services, so as to remove any unjustified restriction to the access and exercise of professional activities, and the Law on Entrepreneurship. Regroup and concentrate 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.	implementation (including changes to sector specific legislation) is underway, and will continue throughout 2014. Swift and full implementation remains key. **Substantial progress** – Law 3/2013 of 4 June creates Spain's Commission for Markets and Competition, by merging Spain's Competition Commission with the supervisory and regulatory authorities for energy, telecommunications, postal services, audio-visual industries, railway and air transport. The statutes of the new Commission for Markets and Competition were adopted on 30 August 2013, while its internal operating regulations were adopted on 4 October 2013. **Limited progress** – The adoption of the reform of professional services continues to be delayed. **Substantial progress** – Law 14/2013 to support entrepreneurs and their internationalisation received parliamentary approval on 27 September 2013. **Substantial progress** – Law 21/2013 of 9 December on environmental evaluation is expected to ease the licensing of industrial activities by speeding up environmental licensing procedures. The express licensing process was extended, by Law 20/2013 on market unity, to cover selected economic activities (including some manufacturing activities) which are carried out in permanent establishments that have a functional display and public sale area which does not exceed 750 m². **Some progress** – The law on entrepreneurship was adopted in autumn 2013 and brought improvements to the framework for corporate insolvency. The Royal Decree Law 4/2014 of 7 March facilitates	associations by the end of 2014, defining the professions requiring registration in a professional organisation, and the transparency and accountability of professional bodies, opening up unjustifiably reserved activities and safeguarding market unity in the access to and exercise of professional services in Spain. Further **reduce the time, cost and number of procedures** required for setting up an operating business. **Address unjustified restrictions** to the establishment of large-scale retail premises, in particular through a revision of existing regional planning regulations. Identify sources of financing for the new national strategy for science, technology and innovation and **make operational the new State Research Agency.**

		refinancing agreements to accelerate the deleveraging process. **Limited progress** – No regulatory measures have been taken to remove restrictions on setting up large-scale retail premises. The government plans to discuss regulatory barriers to this at the sectoral conferences. **Substantial progress** – In June 2013 the Spanish Parliament adopted the law on promoting the rental housing 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. Set up an independent observatory to inform the assessment of future major **infrastructure projects**. Take measures to ensure effective competition in freight and passenger rail services.	**Some Progress:** **Some progress** – Despite the Royal Decree-Law 9/2013 on urgent measures to guarantee the financial stability of the electricity system, adopted in July 2013, and the Law 24/2013 on the electricity sector, adopted in December, a significant electricity tariff deficit was registered in 2013. Gas and electricity interconnections with France and Portugal have been expanded, but still fall short of the target. **Some progress** – The government is studying ways to minimise negative spillovers from insolvent toll motorways on public finances. There was no progress on an independent transport monitoring body. Some measures to promote competition in railway freight have been adopted or are in the pipeline, and preparations have been made to liberalise passenger railway services.	**7.** Following the reform of 2013, **ensure the effective elimination of deficit in the electricity system as of 2014**, including by taking further structural measures if needed. Address the problem of insolvent toll motorways so as to minimise costs for the State. Set up an independent body to contribute to the assessment of future major infrastructure projects by the end of 2014. Take measures to ensure effective competition in freight 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	**Some Progress:** **Substantial progress** – The reform of local public administration has been passed. Implementation of the expert committee's recommendations on public	**8.** Implement at all government levels the recommendations of the committee for **the reform of the public administration.** Strengthen control mechanisms and increase the transparency of administrative decisions, in particular at regional

	efficiency of the judicial system.	administration reform is on-going and will continue throughout 2014/15. **<u>Some progress</u>** – Spain is carrying out legislative reforms relating to different aspects of the functioning of the judicial system. These reforms are at different stages of completion. The most recent indicators on the efficiency of the justice systems show that length of proceedings and the rate of resolving cases have improved for first instance civil, commercial and administrative cases. Progress is still much needed in implementing measures aiming to improve the use of ICT tools.	and local levels. Complete and monitor closely the ongoing measures to **fight against the shadow economy and undeclared work**. Adopt pending reforms on the structure of the judiciary and on the judicial map and ensure implementation of adopted reforms.

FR	**Country Specific Recommendations 2013** **SGP: CSR 1 and MIP: CSR 1, 2, 3, 4, 5, 6**	**Assessment of implementation of CSR 2013** **(based on COM staff documents)**	**Country Specific Recommendations 2014** **SGP: CSR 1 and MIP: CSR 1, 2, 3, 4, 5, 6**
	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 **better synergies and savings between central 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, by increasing the full-pension contribution period, by further increasing the effective retirement age by aligning retirement age or pension benefits to changes in life expectancy and by reviewing special schemes, while avoiding an increase in employers' social contributions, and increase the **cost-effectiveness of**	**Some Progress:** **Some progress** – The government has initiated a process of fiscal consolidation. While the 2013 efforts mostly relied on increasing revenue, the government is expected to focus on expenditure cuts in 2014 (amounting to EUR 15 billion according to official estimates). The government continued to freeze public sector wages in 2014, and it reduced ministries' other operating expenses by 2 % and transfers to local authorities by EUR 1.5 billion. The healthcare expenditure norm (ONDAM) has been set at 2.4 %. The recently created High Council for Public Finances has considered that the growth forecast underpinning the 2014 budget was plausible but that the planned structural deficit reduction was optimistic. More recently, in its annual report published in February 2014, the Court of Auditors indicated that a EUR 4 to 6 billion risk to tax receipts was looming for 2014 and emphasised the lack of room for manoeuvre in the event of unforeseen expenditure. **Limited progress** – The government has initiated a review of all public spending categories (the modernisation de l'action publique). However, the overall amount of savings to be achieved in 2014 (close to EUR 3 billion) is far below what is needed, as public spending increases by EUR 15 to 20 billion above inflation each year. The first of a series of laws on decentralisation has been adopted. A second law is expected by the end of 2014. However, the chance that this package will result in	**1.** Reinforce the budgetary strategy, including by further specifying the underlying measures, for the year 2014 and beyond to **ensure the correction of the excessive deficit in a sustainable manner** by 2015 through achieving the structural adjustment effort specified in the Council recommendation under the Excessive Deficit Procedure. A durable correction of the fiscal imbalances requires a credible implementation of ambitious structural reforms to increase the adjustment capacity and boost growth and employment. After the correction of the excessive deficit, pursue a structural adjustment towards the medium-term objective of at least 0,5 % of GDP each year, and more in good economic conditions or if needed to ensure that the debt rule is met in order to put the high general government debt ratio on a sustained downward path. Step up efforts to achieve **efficiency gains across all sub-sectors of general government**, including by redefining, where relevant, the scope of government action. In particular, take steps to reduce significantly the increase in social security spending as from 2015 as planned, by setting more ambitious annual healthcare spending targets, containing pension costs, and streamlining family benefits and housing allowances. **Set a clear timetable for the ongoing decentralisation** process and take first steps by December 2014, with a view to eliminating administrative duplication, facilitating mergers between local governments and clarifying the responsibilities of each layer of local government. Reinforce incentives to streamline local government expenditure, by capping the

	healthcare expenditure, including in the areas of pharmaceutical spending.	a significant streamlining of local government and in efficiency gains is small. The stability programme outlines a numbers of structural reforms (reducing the number of régions, enhancing intermunicipal cooperation, restricting the powers of or abolishing the départements). Although the planned timetable has since been brought forward the measures will take effect only in the medium term and they are subject to significant implementation risks. **Some progress** – Pension reform measures adopted in 2013 include an increase in the required contribution period, from 2020, and an increase in social security contributions by 0.6 pp to be in place by 2017. Limited progress has been made in increasing the cost-effectiveness of the healthcare system.	annual increase in local government tax revenue while reducing grants from the central government as planned. Beyond the need for short-term savings, take steps to **tackle the increase in public expenditure on health projected over the medium and long term,** including in the area of pharmaceutical spending, and take additional measures when and where needed **to bring the pension system into balance by 2020** in a sustainable manner covering all schemes, with a special focus on existing special schemes and complementary schemes.
	2. Ensure that the **reduction in the labour cost** resulting from the 'credit d'impôt compétitivité et emploi' yields 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, in association with social partners. Ensure that **developments in the minimum wage are supportive of competitiveness and job creatio**n, taking into account the existence of wage support schemes and social contribution exemptions.	**Some Progress:** **Some progress** – Thanks to the CICE tax credit, the cost of labour should decrease by 6 % from 2014 for workers paid less than 2.5 times the minimum wage. This measure bridges half of the gap between the proportion of an individual's total wage paid as tax for the average wage in France and in the OECD. The government estimates that this measure could create up to 300 000 jobs by 2017. **Some progress** – The cost of labour will be further reduced as part of the responsibility and solidarity pact, through an additional reduction in employer social security contributions. The total amount of the reduction is EUR 10 billion (on top of the EUR 20 billion from the CICE tax credit). In particular, EUR 4.5 billion will be spent on low wages (between 1 and 1.6 times the minimum wage) and	**2.** Ensure that **the labour cost reduction** resulting from the "crédit d'impôt compétitivité emploi" is sustained. Take action to further **lower employer social security contributions** in line with commitments under the responsibility and solidarity pact, making sure that no other measures offset its effect and that the targeting currently envisaged is maintained. Further evaluate the economic impact of social security contribution exemptions, putting the emphasis on employment, wage developments and competitiveness and take appropriate measures if necessary. Further **reduce the cost of labour** in a budget neutral way, namely at the lower end of the wage scale in particular through targeted reductions in employer social security contributions taking into account the various wage support schemes.

		another EUR 4.5 billion on medium wages (between 1.6 and 3.5 the minimum wage). **Some progress** – In 2013 and 2014, the government did not increase the minimum wage beyond the minimum level set in the law (inflation and half of the purchasing power of the hourly wages of workers and employees (SHBOE)).	
	3. Take further 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.	**Some Progress:** **Limited progress** – A law adopted on 2 January 2014 allows the government to take actions by decree to simplify and make the business environment more secure for companies. **Some progress** – The measures already adopted to simplify accounting and fiscal statements of SMEs (law of 30 January 2014), the increased validity period for identity cards and the creation of a unique identifying number for companies are positive, though limited steps. The government has committed itself to taking 10 additional measures every month, starting from May. **Some progress** – A number of policy measures have been announced to increase and facilitate innovation, including: 1) a second tranche of the 'Investment plan for the future'; 2) a new innovation tax credit for SMEs (EUR 160 million expected in 2014); 3) a plan to encourage knowledge transfer from public sector research; 4) new financial products from the Public Investment Bank, tailored to the perceived needs of innovative companies; 5) a five-year tax depreciation for acquisition of	**3. Simplify companies' administrative, fiscal and accounting rules** and take concrete measures to implement the Government's ongoing "simplification plan" by December 2014**. Eliminate regulatory impediments to companies' growth,** in particular by reviewing size-related criteria in regulations to avoid thresholds effects. **Take steps to simplify and improve the efficiency of innovation policy,** in particular through evaluations taking into account latest reforms and if necessary an adaptation of the "crédit d'impôt recherche". Ensure that resources are focused on the most effective competitiveness poles and further promote the economic impact of innovation developed in the poles.

		minority business participation in innovative companies; 6) the French Tech programme, aiming to accelerate the growth of digital start-ups and boost digital ecosystems; and 7) 34 industrial plans, led by industry managers.	
	4. Take action to **enhance competition** in 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.	**Limited Progress:** **Limited progress** – The only action undertaken relates to ending the limitation on the number of salaried public notaries, the monopoly for pharmacists on some specific products such as pregnancy tests and the restrictions on optical products. The government expects that the recently introduced law on consumption, which allows for class actions in French law, liberalises a number of sectors (notably opticians) and facilitates contract termination in the insurance sector, could also strengthen competition. Positive changes are underway, such as abolishing the ban on commercial communications for lawyers and the legal forms and shareholding requirements for accountants, which still need to be implemented by delegated acts. Discussions are on-going regarding the regulation setting a minimum length of time required for tourism vehicles with a driver to serve their client, following its suspension by the Conseil d'Etat. **Limited progress** – Reforms are currently being considered to simplify the establishment of retail outlets. However, no concrete measures in this respect have so far been adopted. The ban on sales at a loss has not been removed. **Some progress** – Regulated tariffs for electricity and gas will be phased out by the end of 2015 for non-household customers. On-going	**4. Remove unjustified restrictions** on the access to and exercise of regulated professions and reduce entry costs and **promote competition** in services. Take further action to reduce the regulatory burden affecting the functioning of the retail sector, in particular by simplifying authorisations for the opening of trade outlets and removing the ban on sales at a loss. While maintaining affordable conditions for vulnerable groups, ensure that regulated gas and electricity tariffs for household customers are set at an appropriate level which does not represent an obstacle to competition. **Strengthen electricity and gas interconnection capacity with Spain;** in particular, increase the gas interconnections capacity to fully integrate the Iberian gas market with the European market. In the railway sector, ensure the independence of the new unified infrastructure manager from the incumbent operator and take steps to open domestic passenger transport to competition in line with the provisions of, and the calendar that will be decided by, the forthcoming directives.

		interconnection projects in gas and electricity will allow more competition and better market integration. The on-going railway reform aims to establish a fully-fledged infrastructure manager within an industry-wide structure with a view to improving financial sustainability. The reform does not address market opening and may have a negative effect on access to the network.	
	5. Pursue efforts to **simplify the tax system and improve its efficiency**, while ensuring continuity of tax rules over time. Take additional 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.	**Limited Progress:** **Limited progress** – Few measures were taken in 2013 to rationalise the tax system. **No progress** – No additional measures to limit incentives to indebtedness have been taken since limiting the deduction of net loan interests above EUR 3 million to 75 % (85 % in 2013). No progress has been made either in broadening personal and corporate income tax bases and a temporary surcharge on large companies created in 2012 has instead been extended to 2015 and its rate has been more than doubled to 10.7 %. **No progress** – No progress has been made in increasing VAT efficiency. Instead, the 2014 budget introduced reduced VAT rates on energy- or social housing-related renovation works and on cinema tickets, with no review of their effectiveness **Some progress** – The cost of labour will be further reduced as part of the responsibility and solidarity pact, through an additional reduction in employer social security contributions. The government has also introduced a 'carbon tax' (the contribution climat-énergie), linking excise duties on energy products to their CO_2 content. Among other measures, bonus and penalty car taxation has been	**5. Reduce the tax burden on labour** and step up efforts to simplify and increase the efficiency of the tax system. To this end, starting in the 2015 budget, take measures to: **remove inefficient personal and corporate income tax expenditures** on the basis of recent assessments and the "Assises de la fiscalité" initiative while reducing the statutory rates; take additional measures to remove the debt bias in corporate taxation; broaden the tax base, in particular on consumption; phase out environmentally-harmful subsidies.

		strengthened and reduced rates for certain biofuels will be phased out. By contrast, VAT rates on energy- or social housing-related renovation works have been lowered and a tax on heavy goods vehicles (the éco-taxe poids lourds) has been suspended.	
	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 and in accordance with national practices 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.	**Some Progress:** **Some progress** – The law on securing employment, which transposed the inter-professional agreement into French law, was adopted in June 2013. It facilitates moving to part-time work and reduces the risks from an employer's perspective linked to dismissal procedures. **Some progress** – In March 2014, an agreement was found among the social partners, including the MEDEF employers' federation, to reform the unemployment benefit system. The agreement introduces only moderate changes. It introduces the concept of droits rechargeables, which enables a jobseeker to retain previous accumulated rights to unemployment benefits in future periods of unemployment rather than forfeit them when taking up a job. The savings measures are expected to yield around EUR 800 million according to the national reform programme. Taking into account the costs linked to the implementation of the droits rechargeables, this will most likely be insufficient to significantly reduce the system's debt. **Limited progress** – The measure introduced by the government in March 2013 to increase the number of older workers in employment (the contrats de génération) has proved insufficient. **Some progress** – A law on vocational training was	**6.** Take further action to **combat labour-market rigidity**, in particular take measures to reform the conditions of the "accords de maintien de l'emploi" to increase their take up by companies facing difficulties. Take additional measures to reform the unemployment benefit system in association with social partners, in order to guarantee its sustainability while ensuring that it provides adequate incentives to return to work. **Ensure that older workers benefit from adequate counselling and training** and re-assess the relevant specific unemployment benefit arrangements with respect to their situation on the labour market. **7.** Pursue the **modernisation of vocational education and training**, implement the reform of compulsory education, and take further actions to reduce educational inequalities in particular by strengthening measures on early school leaving. Ensure that active labour market policies effectively support the most vulnerable groups. **Improve the transition from school to work**, in particular by stepping up measures to further develop apprenticeship with a specific emphasis on the low-skilled.

		adopted in March 2014. Personal training accounts aim to increase access to training for unemployed people and those with fewer qualifications. The law increases the role played by the régions. In addition, 30 000 jobseekers have been offered targeted training to help meet the needs of sectors which do not have a sufficient workforce. **Substantial progress** – The reform of public employment services allows for an increased emphasis on personalised follow-up and a focus on unemployed people who have been out of the labour market for the longest period of time. **Some progress** – The 'jobs of the future' programme has helped stabilise the number of young people registered as unemployed. The law on vocational training is expected to increase support for apprenticeships by increasing the regional coordination role and funds granted to the régions. It also aims to guarantee quality apprenticeships for those with fewer qualifications. Limited progress has been made, however, on the Youth Guarantee, with improvement needed in coverage, quality of offers and the coordination of actors in the scheme.	

HR	Country Specific Recommendations 2013	Assessment of implementation of CSR 2013 (based on COM staff documents)	Country Specific Recommendations 2014 SGP: CSR 1 and MIP: CSR 1, 2, 3, 4, 5, 6, 7, 8
			1. Fully implement the budgetary measures adopted for 2014**. Reinforce the budgetary strategy**, further specifying announced measures for 2015 and 2016, and considering additional permanent, growth-friendly measures in order **to ensure a sustainable correction of the excessive deficit by 2016.** At the same time, ensure that the structural adjustment effort as specified in the Council recommendation under the Excessive Deficit Procedure is delivered. **Align programme projections with ESA standards and Stability and Growth Pact** requirements. Take measures to reinforce control over expenditure. By March 2015, **carry out a thorough expenditure review.** Reinforce the budgetary planning process, in particular by improving the accuracy of macroeconomic and budgetary forecasts and strengthening the binding nature of the annual and medium-term expenditure ceilings and improve the design of fiscal rules. By October 2014, ground in law the newly established **Fiscal Policy Commission,** strengthen its independence from all budgetary authorities, broaden its mandate, in particular with respect to the monitoring of all fiscal rules and the ex ante and ex post assessment of forecasts, and ensure adequate resourcing. Building on plans outlined in the National Reform Programme, present a concrete strategy to reform recurrent property taxation. Initiate a process of reporting and reviewing of tax expenditures. **Improve tax compliance**, in particular by further enhancing the efficiency of the tax administration; present an action plan to this end by the end of

			2014.
			2. Reduce access to early retirement. Adopt legislation by March 2015 to **accelerate the planned harmonisation of statutory retirement ages** of women and men and to advance the planned increase of the statutory retirement age to 67 years. Ensure enforcement of tighter disability pensions assessments and controls and accelerate the integration of pensions under special schemes into the general pension system. **Strengthen the cost-effectiveness of the healthcare sector, including hospitals.**
			3. Implement the second phase of the labour law reform, following consultation with the social partners, in particular as regards conditions for dismissals and working time, and with a view to preventing further labour market segmentation including for young people, by March 2015. **Review the wage-setting system** with a view to better aligning productivity developments and wage conditions. Present the conclusions of this review by the end of 2014. **Strengthen the effectiveness and reach of active labour market policies** by reinforcing the administrative capacities of the public employment services, including at regional level, and by increasing the coverage of the young, long-term unemployed and older workers. Prioritise outreach to non-registered youth and mobilise the private sector to offer more apprenticeships, in line with the objectives of a youth guarantee. Outline plans, by the end of 2014, to **address undeclared work**. Implement measures to improve the labour market relevance and quality of education outcomes by modernising the qualification systems, by putting in place quality assurance mechanisms and by improving school-to-work transitions, in particular through strengthening vocational

			education and work-based learning.
			4. Review tax and benefits systems by the end of 2014, and present an action plan to improve the reactivation of inactive and unemployed persons. **Strengthen the effectiveness and transparency of the social protection** system by further consolidating benefits, unifying eligibility criteria and linking data from all relevant levels and government entities in the "one-stop shop". **Improve the effectiveness and adequacy of social assistance benefits through their better targeting.**
			5. Take further measures **to improve the business environment.** In particular, by March 2015 set a target for considerably lowering administrative requirements, including para-fiscal charges. Address the high level of fragmentation and overlapping responsibilities by streamlining administrative processes and by clarifying the decision-making and accountability framework across various levels of government and at central government level between ministries and agencies. **Improve administrative capacity and strategic planning of units entrusted with the management of European Structural and Investment Funds** and provide them with adequate and stable staffing levels.
			6. Present, by October 2014, a detailed **plan for public property management** for 2015. Ensure that companies under state control are governed in a transparent and accountable manner, in particular, strengthen the competency requirements for members of management and supervisory boards nominated by the State and introduce a public register for appointments. **Reinforce prevention of**

			corruption in public administration and state-owned and state-controlled enterprises, including by increasing the verification powers of the Conflict of Interest Commission. **Strengthen transparency and efficiency of public procurement** at both central and local levels, and the capacity to monitor implementation and to detect irregularities.
			7. By the end of 2014, **reinforce the role of commercial courts** in the monitoring of transparency and legality in the application of the corporate pre-bankruptcy procedure. Review the compulsory test of insolvency/illiquidity to access pre-bankruptcy settlement proceedings and streamline the insolvency/liquidation process to reduce its length. **Improve the quality and efficiency of the judicial system**, in particular by providing incentives to resolve proceedings in litigious civil and commercial cases and in administrative cases in a timely manner and to resort to out-of-court settlement especially for smaller claims.
			8. Complement the 2014 European Central Bank's asset quality reviews and stress test exercises, undertake a comprehensive portfolio screening exercise designed specifically for the Croatian financial sector, with a focus on important portfolios that are not covered by the European Central Bank exercise and including key mid-size and smaller banks.

IT	**Country Specific Recommendations 2013** **SGP: CSR 1 and MIP: CSR 1, 2, 3, 4, 5, 6**	**Assessment of implementation of CSR 2013** **(based on COM staff documents)**	**Country Specific Recommendations 2014** **SGP: CSR 1 and MIP: CSR 1, 2, 3, 4, 5, 6, 7, 8**
	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 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.	**Limited Progress:** The 2013 deficit **remained** at 3% of GDP. In the Commission 2014 spring forecast, the headline deficit is projected to decline to 2.6 % of GDP in 2014. However, the achievement of the medium-term objective is now targeted for 2016, as compared with 2014 planned in April 2013 and recommended in July 2013 by the Council. Italy risks **non-compliance** with the Stability and Growth Pact rules. In particular, the annual structural adjustment of only 0.1 percentage point of GDP forecast for 2014 falls short of the 0.7 percentage point of GDP minimum linear structural adjustment that, according to the Commission forecast, would be required to comply with the debt benchmark in the 2013-2015 transition period. A spending review has been launched. It now needs to be adopted and implemented also to finance the announce cut to the personal income tax for low-income employees.	**1.** Reinforce the budgetary measures for 2014 in the light of the emerging gap relative to the Stability and Growth Pact requirements, namely the debt reduction rule, based on the Commission services 2014 spring forecast and ensure progress towards the MTO. In 2015, significantly **strengthen the budgetary strategy to ensure compliance with the debt reduction requirement and thus reaching the MTO**. Thereafter, ensure that the general government debt is on a sufficiently downward path; carry out the ambitious privatisation plan; implement a growth-friendly fiscal adjustment based on the announced significant savings coming from a durable improvement of the efficiency and quality of public expenditure at all levels of government, while preserving growth-enhancing spending like R&D, innovation, education and essential infrastructure projects. Guarantee the independence and full operationalisation of the fiscal council as soon as possible and no later than September 2014, in time for the assessment of the 2015 Draft Budgetary Plan.
	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	**Limited Progress:** **Some progress** in improving the functioning of civil justice. The geographical re-organisation of courts has been implemented. Other measures were taken including a new law on mediation and a December 2013 bill to improve the functioning of the justice system. Despite these measures problems persist (lengthy duration of proceedings, high number of pending cases).	**3.** As part of a wider effort to improve the efficiency of public administration, **clarify competences at all levels of Government. Ensure better management of EU funds** by taking decisive action to improve administrative capacity, transparency, evaluation and quality control both at national and regional level, especially in southern regions. Further enhance the effectiveness of anti-corruption measures, including by revising the statute of limitations by the end of 2014, and

	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 to the 2014-2020 programming period.	**Limited progress** in addressing implementation gaps. Measures were taken to contain the need for secondary legislations and monitor implementation of past reform, but implementation gaps remains very important. **Limited progress** towards administrative simplification Piecemeal measures with limited impact were taken but a draft law on simplification presented to the parliament in June 2013 has not been adopted yet and major reforms undertaken in 2012 are not being implemented. **Limited progress** in the fight against corruption. The anti-corruption agency was reformed but remains understaffed and no notable action was taken to revise the statute of limitations. **Limited progress** was made regarding the upgrading of administrative capacity for the management of EU funds. Italy. A new Agency for territorial cohesion was set up but operational delays and uncertainties about its personnel and competences cast doubts on its capacity to bring about the change required by the challenge. The draft Partnership Agreement for the 2014-2020 programming period outlines a series of measures at national level but does not address the need to improve the administrative capacity of the bodies in charge of funds.	strengthening the powers of the national anti-corruption authority. Monitor in a timely manner the impact of the reforms adopted to increase the efficiency of civil justice with a view to securing their effectiveness and adopting complementary action if needed.
	3. Extend good corporate governance practices to the whole **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**	**Some Progress:** **Some progress** in easing firms' access to credit. This includes in particular a strengthened loan guarantee scheme and a renewal of the existing debt moratorium.	**4.** Reinforce the resilience of the **banking sector** and ensure its capacity to manage and dispose of impaired assets to revive lending to the real economy. Foster non-bank access to finance for firms, especially small and medium-sized businesses. Continue to promote and monitor

	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.	**Some progress** in developing non-bank funding. The main measure is the strengthening of the allowance for new corporate equity. Other measures (mini-bonds, tax incentives for investment in innovative start-ups) were taken, but their impact remains to be seen. **Some progress** on asset quality screening: the Bank of Italy conducted a thorough asset quality review of 20 Italian banks over 2012–13. The 2014 Stability Law enhanced the tax deductibility for banks' loan-loss provisions, which should contribute to an increase in non-performing loan coverage. **Some progress** on corporate governance in banks. The Bank of Italy has issued new corporate governance principles for banks, but their impact depends on actual implementation and enforcement.	efficient corporate governance practices in the whole banking sector, with particular attention to large cooperative banks ('banche popolari') and the role of foundations, with a view to improving the effectiveness of financial intermediation.
	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, especially child- and long-term care, and out-of-school services. Step up efforts to **prevent early school leaving**. Improve school quality and outcomes, also by enhancing teachers' professional development and diversifying career development. Ensure effectiveness of social	**Limited Progress:** **Some progress** in implementing the labour market and wage-setting reforms. Most implementing legislation of the 2012 labour market reforms has been adopted. The March 2014 decree law further simplifies the regulation of fixed-term and apprenticeship contracts. Criteria for representativeness in collective bargaining were set in January 2014, which may foster decentralisation of bargaining. The measures to upgrade public employment services however still need to be implemented and the effectiveness of active labour market policies remains low. The national reform programme announces further measures as regards to contractual simplification, the reform of unemployment benefits and the systematisation of	**5.** Evaluate, by the end of 2014, the impact of the **labour market and wage-setting reforms** on job creation, dismissals' procedures, labour market duality and cost competitiveness, and assess the need for additional action. Work towards a more comprehensive social protection for the unemployed, while limiting the use of wage supplementation schemes to facilitate labour re-allocation. Strengthen the link between active and passive labour market policies, starting with a detailed roadmap for action by December 2014, and reinforce the coordination and performance of public employment services across the country. Adopt effective action to promote female employment, by adopting measures to reduce fiscal disincentives for second earners by March 2015 and providing adequate care services. Provide adequate

	transfers, notably through better targeting of benefits, especially for low-income households with children.	active labour market policy. **<u>Limited progress</u>** has been made in addressing youth unemployment. Some measures were taken but their scope and the resources allocated are limited. The Youth Guarantee Implementation Plan is being examined by the Commission. **<u>Limited progress</u>** on women's labour market participation, with regard to both childcare and long-term care and disincentives to work for second earners. Some measures to reduce disincentives to work for second-earners and foster parenthood are included in an enabling law adopted by the government in April 2014. **<u>Some progress</u>** on the effectiveness of social transfers. A 'social inclusion card' pilot project targeted to low income households with children is in place and is planned to be extended to the whole territory. **<u>Limited progress</u>** on education. Measures have been taken on career guidance and early school leaving**.** Initiatives to strengthen vocational education and training are of limited scope and impact. The issue of enhancing the teaching profession remains largely unaddressed.	services across the country to non-registered young people and ensure stronger private sector commitment to offering quality apprenticeships and traineeships by the end of 2014, in line with the objectives of a youth guarantee. To address exposure to poverty and social exclusion, scale-up the new pilot social assistance scheme, in compliance with budgetary targets, guaranteeing appropriate targeting, strict conditionality and territorial uniformity, and strengthening the link with activation measures. Improve the effectiveness of family support schemes and quality services favouring low-income households with children. **6.** Implement the National System for Evaluation of Schools to **improve school outcomes** in turn and reduce rates of early school leaving. Increase the **use of work-based learning** in upper secondary vocational education and training and strengthen vocationally-oriented tertiary education. Create a national register of qualifications to ensure wide recognition of skills. Ensure that public funding better rewards the **quality of higher education and research.**
	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 against tax evasion, improve tax compliance and take decisive steps against the shadow**	**<u>Limited Progress:</u>** **<u>Some progress</u>** in shifting the tax burden away from productive factors. The 2014 Stability Law decreased the tax burden on labour and further measures were taken in April 2014 to reduce the tax wedge, but fully financed only for 2014. The standard rate of VAT was raised but VAT exemptions and reduced rates have not been	**2. Further shift the tax burden from productive factors to consumption, property and the environment,** in compliance with the budgetary targets. To this end, evaluate the effectiveness of the recent reduction in the labour tax wedge and ensure its financing for 2015, review the scope of direct tax expenditures and broaden the tax base, in particular on consumption. Ensure more effective environmental taxation, including in the area of

	economy and undeclared work.	reviewed. Furthermore there has been no structural reform of direct tax expenditure and cadastral values have not been updated to reflect real market values (an enabling law to these purposes was adopted in March 2014). **Limited progress** to reform taxation, improve tax compliance and reducing tax evasion. The government has undertaken additional enforcement measures but decisive action to improve tax compliance and reduce tax evasion is missing. The March enabling law on taxation includes measures that, once implemented, could represent a significant step forward. Progress on reducing the shadow economy and undeclared work has been limited.	excise duties, and remove environmentally harmful subsidies. Implement the enabling law for tax reform by March 2015, including by adopting the decrees leading to the reform of the cadastral system to ensure the effectiveness of the reform of immovable property taxation. Further improve tax compliance by enhancing the predictability of the tax system, simplifying procedures, improving tax debt recovery and modernising tax administration. **Pursue the fight against tax evasion and take additional steps against the shadow economy and undeclared work**.
	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.	**Limited progress:** **Limited progress** in fostering market access in services. Some efforts have been made to open up and modernise the services sector, particularly a reform of professional associations (implementation is proceeding, with some challenges for the legal profession). However as stressed by the Italian Competition Authority, the issue of procurement and provision of local public services remains high on the agenda and needs to be addressed. **Substantial progress** in improving market access conditions in energy; some progress in the transport sector. The Transport Authority has been set up and started work in January 2014 but is not yet fully operational: procedures for staff recruitment are on-going. Inefficiencies in local transport services remain however to be addressed. In the energy, unbundling in the gas sector is complete and the functioning of gas and electricity markets has	**7.** Approve the pending legislation or other equivalent measures aimed at **simplifying the regulatory environment for businesses and citizens** and address implementation gaps in existing legislation. Foster **market opening and remove remaining barriers** to, and restrictions on, competition in the professional and local public services, insurance, fuel distribution, retail and postal services sectors. Enhance the efficiency of public procurement, especially by streamlining procedures including through the better use of e-procurement, rationalising the central purchasing bodies and securing the proper application of pre- and post-award rules. In local public services, rigorously implement the legislation providing for the rectification of contracts that do not comply with the requirements on in-house awards by 31 December 2014.

		improved, although prices remain high. **Limited progress** in addressing infrastructure gaps. Weaknesses in energy interconnections and intermodal transport, notably at ports, are still a major bottleneck. Gaps remain also in telecommunications: existing investment plans seem insufficient to ensure that Digital Agenda objectives for high-speed broadband coverage are met.	
			8. Ensure swift and full operationalisation of the **Transport Authority** by September 2014. Approve the list of strategic infrastructure in the energy sector and enhance port management and connections with the hinterland.

CY 	**Country Specific Recommendations 2013**	**Assessment of implementation of CSR 2013 (based on COM staff documents)**	**Country Specific Recommendations 2014**
	To avoid duplication with measures set out in the Economic Adjustment Programme, there are no additional recommendations for Cyprus.		

LV	Country Specific Recommendations 2013 **SGP: CSR 1 and MIP: CSR -**	Assessment of implementation of CSR 2013 **(based on COM staff documents)**	Country Specific Recommendations 2014 **SGP: CSR 1 and MIP: CSR -**
	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.	**Some Progress:** **Substantial progress** as regards the MTO **Some progress** in reducing taxation of low-income earners, as the tax wedge has been brought closer to the EU average (though the focus on low-income earners has been only partial. **Some progress** in shifting taxation to other tax bases and environmental taxes: a new excise tax on liquefied petroleum; euro vignette as of July 2014; a new tax on water use for hydroelectric power plants; an increase in environmental taxes for noneco-friendly products (packaging); landfill tax increased as of January 2014. **Some progress** in improving tax compliance and combating the shadow economy. **Substantial progress** in strengthening of the fiscal framework.	**1. Preserve a sound fiscal position** in 2014 and strengthen the budgetary strategy as of 2015, **ensuring that the deviation from the medium-term objective remains limited to the impact of the systemic pension reform. Pursue efforts to further reduce the tax burden on low-income earners** in the context of a shift towards more growth-friendly property and environmental taxes and by improving tax compliance and collection.
	2. Continue to use micro and macro prudential policies to prevent possible vulnerabilities that could arise from future **credit growth and non-resident banking activities**.	**Substantial Progress:** **Substantial progress** in implementing additional macro-prudential measures to supervise non-resident banking, in particular in the context of the assessment of Latvia's readiness to join the euro area. These include additional liquidity and capital adequacy requirements for non-resident banks, regular on- and off-site checks, strengthening the Deposit Guarantee Fund, etc. Latvia has aligned monetary policy and supervisory tools with those in the euro area.	

	3. 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 and accessibility of apprenticeships.	**Some Progress:** **Some progress** in increasing coverage and the effectiveness of the ALMPs (profiling, quality evaluation, strengthened job search assistance). **Limited progress** in providing targeted social services. Steps were taken to strengthen cooperation between PES and social services and to increase capacity of social work. **Some progress** in improving the employability of young people. The Youth Guarantee Implementation Plan was developed and submitted to the Commission. **Some progress** in implementing reforms in the field of vocational education and training and improved quality and accessibility of apprenticeships. Nevertheless, there is still ample scope for expanding work-based learning in VET. Implementing other VET reforms remains a longer-term challenge. **Limited progress** in establishing comprehensive career guidance.	
	4. Tackle high rates of poverty by reforming social assistance for better coverage, by improving benefit adequacy and activation measures for benefit recipients. Reinforce the delivery mechanisms to effectively reduce child poverty.	**Some Progress:** **Limited progress** in reforming social assistance. Reform proposals based on sound evidence are being prepared; however, their implementation is uncertain. **Substantial progress** in addressing child poverty. Latvia has significantly increased various child-related benefits and implemented other measures (childcare vouchers, relieving parents of the costs	**3. Reform social assistance and its financing** further to ensure better coverage, adequacy of benefits, strengthened activation and targeted social services. Increase coverage of active labour market policies. **Improve the cost-effectiveness, quality and accessibility of the healthcare system.**

		associated with school supplies etc.).	
	5. 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 internationalization. Take further steps to modernise research institutions based on the on-going independent assessment.	**No Progress:** **No progress** in establishing a quality-rewarding financing model. **No progress** in reforming the accreditation system (the opportunity to use independent international accreditation agencies was not used, and no concrete steps taken to bring the accreditation system in line with international practice). **Limited progress** in consolidating institutions. **Limited progress** in promoting internationalisation (the legislative restrictions to the use of foreign languages in teaching remained unchanged). **Limited Progress** regarding the modernisation of research institutions. The results of the international independent assessment were available only at the end of 2013. Only 10 % of the research institutions were assessed as high level international research centres and structural changes are needed to improve the competitiveness of the system. The government has announced that proposals for structural reforms will be presented by 1.7.2014.	**2. Step up implementation of the higher education reform,** in particular through the establishment of an independent accreditation agency and a financing model that rewards quality. Provide career guidance at all education levels, improve the quality of vocational education and training, including by strengthening apprenticeship, and make progress as regards the employability of young people including by putting in place outreach measures for non-registered youth not in employment, education or training. Take steps for a more integrated and comprehensive research system also by concentrating financing towards internationally competitive research institutions.
	6. 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	**Some Progress:** **Some progress** in improving energy efficiency in the residential buildings sector, including partial transposition of the Energy Performance of Buildings Directive. **Limited Progress** as regards to connectivity with	**4. Accelerate the development of gas and electricity interconnections to neighbouring Member States** to diversify energy sources and promote competition through improved integration of the Baltic energy markets. Pursue efforts to **further increase energy efficiency** in transport, buildings and heating systems.

	storage capacities.	EU networks, in particular in the gas sector. Latvia is encouraged to introduce liberalisation and market opening in parallel to efforts to build interconnectors. In particular, Latvia should make efforts to integrate its electricity and gas markets better with Lithuania and Estonia. In this regard, implementation of the BEMIP plan should continue.	
	7. 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.	**Some Progress:** **Some Progress:** Latvia included legislative amendments to the Code of Civil Procedure, Law on Judicial Power, insolvency law, arbitration law and mediation law. It is too early to assess the results as some amendments are still undergoing the legislative procedure. The evaluation of the effectiveness of court proceedings and their cost continues. The backlog and length of proceedings have been reduced in 2012-2014.	**5. Complete judicial reforms** including the pending reforms of insolvency, arbitration and mediation frameworks to ensure a more business- and consumer-friendly legal environment**. Step up public administration reforms**, including by implementing state-owned enterprise management reform and increasing institutional and financial independence of the Competition Council.

LT	Country Specific Recommendations 2013 **SGP: CSR 1 and MIP: CSR -**	Assessment of implementation of CSR 2013 **(based on COM staff documents)**	Country Specific Recommendations 2014 **SGP: CSR 1 and MIP: CSR -**
	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. Continue to strengthen the fiscal framework, in particular by securing 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.	**Some Progress:** **Some progress** towards the medium-term objective was made in 2013, while the planned progress for 2014 is low. The budgetary strategy for the last year was roughly implemented. However, planning of tax revenues remains an issue. **Limited progress** in strengthening the fiscal framework, as expenditure ceilings remain insufficiently binding. Legislative changes have not yet been approved. **Limited progress** in reviewing the tax system. No action was taken on increasing tax revenues and reforming taxation. Some progress was made in improving tax compliance.	**1. Reinforce the budgetary measures** for 2014 in the light of expenditure growth exceeding the benchmark and the emerging gap of 0,3 % of GDP in terms of structural effort based on the Commission services 2014 spring forecast, pointing to a risk of significant deviation relative to the preventive arm of the Stability and Growth Pact requirements. In 2015, **strengthen the budgetary strategy to ensure the required adjustment of 0,5 % of GDP towards the medium-term objective.** Thereafter ensure that the medium-term objective is adhered to. Complement the budgetary strategy with a **further strengthened fiscal framework**, in particular by ensuring binding expenditure ceilings when setting the medium-term budgetary framework. Further **review the tax system** and consider increasing those taxes that are least detrimental to growth, such as recurrent property and environmental taxation, while continuing to **improve tax compliance.**
	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 on-going reforms. Underpin pension reform with measures that promote the employability of older workers.	**Limited Progress:** **No progress** in implementing a comprehensive pension system reform and aligning statutory retirement age with life expectancy, restricting access to early retirement and establishing clear rules for the indexation of pensions. **Substantial progress** in implementing reform of occupational pension schemes. 33% of insured have decided to participate in the new scheme introduced last year.	**2.** Adopt and implement legislation on a comprehensive **pension system reform.** In particular, align the statutory retirement age with life expectancy, restrict access to early retirement, establish clear rules for the indexation of pensions, and promote the use of complementary savings schemes. Underpin pension reform with measures that promote the employability of older workers.

		<u>Limited progress</u> in promoting the employability of older workers. Some projects have been introduced, the overall effect on employment has been negligible however, due to the fragmentary nature of the measures and the lack of coordination in their implementation	
	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 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.	**Some Progress:** **<u>Some progress</u>** on tackling long-term unemployment. <u>Limited progress</u> on tackling unemployment amongst low-skilled workers. New schemes were introduced, it is however, necessary to increase coverage and targeting of ALMPs. **<u>Substantial progress</u>** on employment of young people since specifically targeted measures were taken in early 2013. These should be consolidated by the introduction of a Youth Guarantee. **<u>Some progress</u>** on work-based training and on addressing skills mismatch through reforms targeted at consolidating higher education and improving its quality and training courses. Limited progress on apprenticeship schemes. **<u>No progress</u>** on reviewing labour legislation and improving social dialogue.	**3. Better target active labour market policy measures** to the low-skilled and long-term unemployed. Improve coverage and adequacy of unemployment benefits and link them to activation. Address persistent skills mismatches by improving the labour-market relevance of education inter alia based on skills forecast systems and promote life-long learning. In order to **increase the employability of young people**, prioritise offering quality apprenticeships, other forms of work-based learning, and strengthen partnership with the private sector. Review the appropriateness of labour legislation, in particular with regard to the framework for labour contracts and for working-time arrangements, in consultation with social partners.
	4. Implement concrete targeted measures to reduce **poverty and social exclusion**. Continue strengthening the links between the cash **social assistance reform and activation measures**.	**Limited Progress:** **<u>Limited progress</u>** on reducing poverty and social exclusion.The action plan for improving social inclusion is a positive step but it does not make clear how the targets will be achieved. **<u>Limited progress</u>** in strengthening the links between reform of social assistance and ‘activation measures’.Further action should be taken to extend the coverage of activation measures and to	**4. Ensure adequate coverage of those most in need** and continue to strengthen the links between cash **social assistance and activation measures.**

		improve the employability of recipients of social benefits.	
	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.	**Substantial Progress:** The Lithuanian government **approved** amendments to the transparency guidelines which require SOEs to include separate figures for commercial and non-commercial functions. The separation of commercial from non-commercial functions **still needs to be assessed** once an initial report is published later this year. The separation of ownership and regulatory functions has been **completed.** Legal acts allowing for more independent board members on SOE boards are in the **process of being drafted**. First assessments on their effectiveness should be possible by late 2014.	**5.** Complete the implementation of **the reform of state-owned enterprises** as planned; in particular by finalising the separation of commercial and non-commercial activities, further professionalising executive boards and closely monitoring compliance with the requirements of the reform.
	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.	**Some Progress:** **Some progress** in improving the energy efficiency of buildings.Legislative measures were taken in order to allow funding from the holding fund to be awarded more quickly to projects aiming at improving the energy efficiency of buildings. **Some progress** in promoting competition in energy networks.An important gas pipeline has been commissioned and the liquefied natural gas terminal in Klaipeda is expected to be operational by December 2014. To date, some progress has been made with regard to the new electricity and gas interconnections of Lithuania with neighbouring Member States, but the construction work for these interconnectors is to be finalised respectively by 2015 and 2018/2019 only.	**6.** Step up measures to **improve the energy efficiency** of buildings, through a rapid implementation of the holding fund. Continue the **development of cross-border connections** to neighbouring Member States for both electricity and gas to diversify energy sources and **promote competition** through improved integration of the Baltic energy markets.

LU	Country Specific Recommendations 2013 **SGP: CSR 1 and MIP: CSR -**	Assessment of implementation of CSR 2013 **(based on COM staff documents)**	Country Specific Recommendations 2014 **SGP: CSR 1 and MIP: CSR -**
	1. Preserve a sound fiscal position and **remain at the medium-term objective so as to ensure 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.	**Some Progress:** **Some progress** concerning its fiscal position. In 2013, the government implemented a consolidation package equivalent to around 2.0 % of GDP. According to the Commission 2014 spring forecast, the government budget has recorded a small surplus of 0.1 % of GDP in 2013. The headline balance is then expected to turn to a deficit of 0.2% of GDP in 2014 and sharply deteriorate in 2015 to 1.4 % of GDP, as VAT revenues from e-commerce-related activities start to fade out. In structural terms, the government budget is expected to over-achieve the MTO in 2013, posting a surplus of 1.4 % of GDP. In 2014, the surplus is expected to shrink to 0.6 % of GDP, in line with the MTO, but the structural balance is then expected to post a sharp deterioration in 2015 and, departing from the MTO, fall by around 2 % of GDP. Luxembourg has made **some progress** on the adoption of a medium-term budgetary framework. A new draft of the law to introduce such a framework (through a 'multiannual finance law') was presented to parliament in March 2014 and rapid adoption is expected.	**1.** Preserve a sound fiscal position in 2014; significantly strengthen the budgetary strategy in 2015 to **ensure that the medium-term objective is achieved and remain at the medium-term objective thereafter**, in order to protect the long-term sustainability of public finances, in particular by taking into account implicit liabilities related to ageing. **Strengthen fiscal governance** by speeding up the adoption of a medium-term budgetary framework covering the general government and including multi-annual expenditure ceilings, and by putting into place the independent monitoring of fiscal rules. Further broaden the tax base, in particular on consumption.
	2. Take measures to address the debt-bias in **corporate taxation** and extend the application of the standard VAT rate.	**Limited Progress:** **Limited progress** concerning the corporations debt bias in corporate taxation. **Limited progress** on the application of the standard VAT rate. The Prime Minister indicated that the	

		government plans to increase the standard VAT rate by 2 pp (to offset the loss of e-commerce VAT revenue). In parallel, the 2 pp increase will also apply to other reduced VAT rates, but not to the super-reduced rate of 3 %. While broadening the tax base would prove more efficient and more growth-friendly than increasing tax rates, it can be concluded that there has been limited progress with regard to CSR2 on VAT.	
	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 by aligning retirement age or pension benefits to change in life expectancy.	**Limited Progress:** **Limited progress** on long-term care expenditure. Long-term care reform has been announced, but has not yet been implemented. **Limited progress** on early retirement. A draft bill on the reclassification of people with work disabilities has been presented to parliament. The abolition of some early-retirement schemes has been announced. Finally, measures on lifelong learning should help increase labour market participation by older workers and should be continued (as people currently tend to retire at the age of 59.4 on average, thanks to the generous pension system in place).	**2.** In view of ensuring fiscal sustainability, **curb age-related expenditure** by making long-term care more cost-effective, **pursue the pension reform** so as to increase the effective retirement age, including by limiting early retirement, by aligning retirement age or pension benefits to change in life expectancy. Reinforce efforts **to increase the participation rate of older workers**, including by improving their employability through lifelong learning.
	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.	**Limited Progress:** **No progress** on the reform of the wage-setting scheme. The measures regarding the indexation system are valid until the end of 2014. Luxembourg should take further measures to reform the system itself to avoid future loss of competitiveness. Wages could be tied more closely to productivity through a permanent link and sectoral differentiation in the wage bargaining system. **Some progress** on the diversification of its	**3. Speed up the adoption of structural measures**, in consultation with the social partners and in accordance with national practices, to **reform the wage setting system** including wage indexation with a view to improving the responsiveness of wages to productivity developments, in particular at sectoral level. **Pursue the diversification of the structure of the economy,** including by fostering private investment in research and further developing cooperation between public research and firms.

		economy. Positive signs include the reinforcement of the country's policy on clusters and the reforms of the public research organisations and the National Research Fund. The government announced its intention to support common research agendas between public research organisations and industry, although it has not yet been announced how this will materialise.	
	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. Reinforce efforts to increase the participation rate of older workers, including by improving their employability through lifelong learning.	**Limited Progress:** **Some progress** in addressing CSR 5 as regards activation policies for young people. It 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 a need for a coherent strategy. Stronger cooperation between administration levels (state, municipalities) and a more efficient use of employment services would produce better results. **Limited progress** in addressing CSR 5 as regards the reform of secondary education and of vocational education and training. In order to address the skills mismatch, there is a need to provide guidance to pupils at an earlier age (lower secondary). Overall, more will need to be done to improve significantly the integration of people from migrant backgrounds and low-skilled young jobseekers, and the Luxembourg authorities should be encouraged to take further action. **Some progress** as regards lifelong learning. Measures implemented in 2013 included increased government financial participation rate for firms investing in lifelong learning for their employees. There is still scope for increasing participation by	**4.** Pursue efforts **to reduce youth unemployment for low-skilled jobs seekers**, including those with a migrant background, through a coherent strategy, including by further improving the design and monitoring of active labour market policies, addressing skills mismatches, and reducing financial disincentives to work. To that effect, accelerate the **implementation of the reform of general and vocational education and training** to better match young people's skills with labour demand.

		older workers and other vulnerable groups to help put them back to work.	
	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.	**Limited Progress:** **Limited progress** in adopting some measures to contribute to meeting the target for reducing non-ETS GHG emissions. The second national climate action plan, adopted in May 2013, contains 51 measures targeting a variety of areas, including energy efficiency, the use of renewable energies or transport. Implementing successfully these measures would still fall short of meeting the target. **No progress** with respect to taxation on energy products for transport. The government announced a new study on the impact of energy tax reforms, but did not specify concrete actions or timeline for implementation. Overall, GHG emissions are expected to increase by 3% in 2020 compared to 2005, corresponding to a 23 percentage point gap with the target. 2013 emissions are expected to be 1% higher than the Effort Sharing Decision target.	**5.** Develop a comprehensive framework and take concrete measures to meet the 2020 target for **reducing greenhouse gas emissions** from non-ETS activities, especially through the taxation of energy products for transports.

HU	**Country Specific Recommendations 2013** **SGP: CSR 1 and MIP: CSR 1, 2, 3, 4, 5, 7**	**Assessment of implementation of CSR 2013** **(based on COM staff documents)**	**Country Specific Recommendations 2014** **SGP: CSR 1 and MIP: CSR 1, 2, 3, 5**
	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 and enhance the transparency 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.	**Some Progress:** **Some progress** in fiscal consolidation. In 2013, the deficit target and the country's medium-term objective were overachieved by a considerable margin. The deficit is expected to be kept below the 3% of GDP deficit threshold in subsequent years as well, but it is projected to rebound close to 3% with the structural balance deviating significantly from the medium-term objective. Decreasing only very gradually, the debt ratio is not yet on a firm downward path. The composition of fiscal adjustment remained largely unchanged. Primary expenditures show an increase both in 2013 and 2014, while the tax burden slightly exceeds the elevated 2012 level **Some progress** on fiscal governance. Amendments approved to the fiscal framework in December 2013 include, among others, new numerical rules to ensure compliance with the Stability and Growth Pact provisions and the long overdue strengthening of medium-term budgetary framework as well. Design flaws with domestic rules, however, still exist and the effectiveness of the new set-up is yet to be ensured. Further reinforcement of the Fiscal Council by broadening its mandatory remit is still lacking and not intended to change for the time being, which does not conducive to improving the transparency of public finances.	**1. Reinforce the budgetary measures** for 2014 in the light of the emerging gap relative to the Stability and Growth Pact requirements, namely the debt reduction rule, based on the Commission 2014 spring forecast. In 2015, and thereafter significantly **strengthen the budgetary strategy to ensure reaching the medium-term objective** and compliance with the debt reduction requirements in order to keep the general government debt ratio on a sustained downward path**. Ensure the binding nature of the medium-term budgetary framework** through systematic ex-post monitoring of compliance with numerical fiscal rules and the use of corrective mechanisms. **Improve the transparency of public finances**, including through broadening the mandatory remit of the Fiscal Council, by requiring the preparation of regular macro-fiscal forecasts and budgetary impact assessments of major policy proposals.
	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.	**Limited Progress:** **Limited progress** on restoring normal lending. Net lending flows to the corporate sector became	**2.** Help **restore normal lending flows** to the economy, inter alia by improving the design of and reducing the burden of taxes imposed on financial institutions. **Adjust the financial transaction duty**

	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.	positive in Q3 2013 purely due to influence of Funding for Growth scheme; they returned to negative levels in Q4 2013 and Q1 2014. Net lending flows toward households remained negative. Hence, normal lending has not yet been restored. **<u>No progress</u>** on reducing the regulatory burden on the financial sector, as it was actually increased. **<u>Limited progress</u>** on removing bad assets. Portfolio quality declined for households. The government has opened the possibility for borrowers overdue by 90 days to enter into the exchange rate cap scheme. The central bank has announced it will start a project to investigate obstacles to portfolio cleaning. As a response to the high share of problematic loans in the corporate sector, the central bank has opened the possibility in the Funding for Growth Scheme to buy commercial real estates that served as collateral of non-performing loans. **<u>No progress</u>** on moral hazard. Government has announced it will prepare a 'final' foreign exchange relief scheme. However, details are not yet available. **<u>Substantial progress</u>** on supervision. A law was adopted to merge the Hungarian Financial Supervisory Authority and the central bank (MNB). The new MNB law equips the central bank with macro-prudential policy tools, as it has become the dedicated macro-prudential authority. Under the new law, the MNB is equipped with the 'comply or explain principle'. Work on a bank resolution regime is in progress, expected to be adopted in 2014.	in order to avoid diverting savings from the banking sector and enhance incentives for using electronic payments. Investigate and remove obstacles to portfolio cleaning inter alia by tightening provisioning rules for restructured loans, removing obstacles to collateral foreclosure as well as increasing the speed and efficiency of insolvency proceedings. In this respect, closely consult stakeholders on new policy initiatives and ensure that these are well-targeted and do not increase moral hazard for borrowers. Further **enhance financial regulation and supervision.**

	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 compliance.	**Limited Progress:** **No progress** on corporate taxation. No sector-specific taxes (e.g. energy, telecoms and finance sectors) have been phased out or reduced, and no streamlining has taken place in the corporate taxation area, with all existing corporate tax regimes which were maintained. Moreover, a significant increase in the rate of the financial transaction duty (FTD) was adopted in 2013 and a one-off charge has been levied on economic actors affected by FTD. **Limited progress** on labour taxation. Very marginal modification has been made for improving labour market participation of parents with three or more children returning to the labour market in the Job Protection Act. No other step to refine the eligibility has been taken. Extension of the family tax credit to employees' social security contribution helps in reducing the tax burden of families who could not previously use the benefits of the family tax credit. However, it is not specific to low income earners. On environmental taxation: although Hungary is already in line with the EU average, there is still potential for additional revenue from it, especially in view of the fact that the implicit tax rate on energy is significantly below the EU average. Hungary has made some progress in addressing the recommended tax shift to environmental taxes: in the waste sector, procedures for paying landfill as contribution fees entered into force. **Some progress** on tax compliance. According to the government, all tax-related elements announced in the administrative burden reduction programme launched in 2011 have been implemented, but there	**3.** Ensure a stable, **more balanced and streamlined tax system for companies**, including by phasing out distortive sector-specific taxes**. Reduce the tax wedge for low-income earners**, inter alia by improving the efficiency of environmental taxes. Step up measures to **improve tax compliance** – in particular to reduce VAT fraud – and reduce its overall costs.

		is no methodologically sound, publicly available assessment on the impacts of these measures. Although the government has started the online connection of all retail and service sector cash registers to the tax authority, in order to reduce the size of the shadow economy, the establishment of online links has suffered repeated delays. Measures were supposed to be fully rolled out by 1 April 2013, but by early April 2014, only some 30 % of cash registers were online.	
	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.	**Some Progress:** **Some progress** has been made in the field of youth employment. The government has taken a number of measures to increase their participation in the labour market, including The Youth Guarantee implementation plan which has been launched. Some fine-tuning of the implementation and monitoring system is needed and acceleration of the full launch is to be considered. **Some progress** on active labour market policies as further resources have been earmarked coming from EU funds for service provision, training and capacity development of the public employment service. Launch of profiling system needs to be accelerated. **Limited progress** in strengthening activation (training) elements of the public works scheme; further improvement is needed to provide better services and differentiated training pathways. **No progress** in reducing public works scheme dominance, as its size was even increased. **Substantial progress** in expanding childcare	**4. Strengthen well-targeted active labour market policy measures**, inter alia by accelerating the introduction of the client profiling system of the Public Employment Service. Put in place the planned **youth mentoring network** and coordinate it with education institutions and local stakeholders to increase outreach. **Review the public works scheme** to evaluate its effectiveness in helping people find subsequent employment and further strengthen its activation elements. Consider increasing the period of eligibility for unemployment benefits, taking into account the average time required to find new employment and link to activation measures. **Improve the adequacy and coverage of social assistance** while strengthening the link to activation. In order to alleviate poverty, implement streamlined and integrated policy measures to reduce poverty significantly, particularly among children and Roma.

		facilities. Sufficient funding should be scheduled in the coming years, and results are to be assessed in the longer term. **Limited progress** in implementation and alignment of the National Social Inclusion Strategy into other	
	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 full implementation of measures envisaged to **reduce the administrative burden**, improve competition in **public procurement** and take further adequate measures to tackle corruption. **Strengthen further the judiciary**. Remove recently introduced barriers in the services sector, including in retail services. Provide targeted incentives to support innovative enterprises.	**Limited Progress:** The business environment has **not improved** as indicated inter alia by most recent international competitiveness surveys. **No progress** was achieved on services, including retail. No barrier was removed; on the contrary new ones were introduced in 2013 and early 2014. **Some progress** on administrative burden reduction. Implementation of the Cutting Red Tape programme has been started in ten areas (e.g. taxation, administrative procedures, public procurement, statistical data collection, etc.). While the Cutting Red Tape programme is a step in the right direction, the desired impact is yet to be felt by businesses. Hungary's ranking in international competitiveness reviews is deteriorating. **Limited progress** on corruption. Corruption is a long-lasting problem in the country, and government's efforts to tackle corruption have to be consistently supported in the medium term, as so far only limited progress has been made by implementing elements of the anti-corruption programme. **Some progress** on public procurement. Concerns regarding the rule according to which below certain thresholds only SMEs could participate have been	**5. Stabilise the regulatory framework and foster market competition**, inter alia by removing barriers in the services sector. Take more ambitious steps to increase competition and transparency in public procurement, including better use of e-procurement and further reduce corruption and the overall administrative burden.

		partially addressed. A ‘soft law’ instrument is also planned to be adopted. The situation regarding direct awards and overall transparency of public procurement has not improved, including under EU funds financed programme. **Some progress** on innovation. Research and Development expenditures in Hungary have constantly increased in the last 3 years and Hungary seems more or less in line with its 2020 target. However, the public R&D intensity (public sector expenditures on R&D, as % of GDP) decreased from 0.48 % in 2009 to 0.43 % in 2012. Some positive signs linked to the approval of National Research and Development and Innovation Strategy (2013-2020) ‘Investment into the Future’ (RDI strategy 2013-2020). However, there is clearly still a possibility to improve the framework conditions to support young and fast-growing innovative companies, and to exploit the presence of large multinational companies active in high-tech and medium-tech sectors in Hungary. The smart specialisation strategy is considerably delayed as well as the market failure analysis for identifying financing needs of innovative enterprises. **Fully implemented** the recommendation on judiciary. Hungary has adopted the Fifth Amendment to the Hungarian Fundamental law, which inter alia removed from the Fundamental Law the clause on Court of Justice judgments entailing payment obligations and the clause giving powers to the President of the National Judicial Office to transfer cases from one court to another. Hungary has also taken measures following the judgment of the Court of Justice in case C-286/12 in which the Court ruled that the sudden lowering of the mandatory retirement age for judges,	

		prosecutors and public notaries violated EU equal treatment rules.	
	6. Implement a national strategy on **early school-leaving** and ensure that the **education system** provides all young people with labour-market-relevant skills, competences and qualifications. Improve access to inclusive mainstream education, for those with disadvantages, in particular 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.	**Limited Progress:** **No progress** on Early School Leaving. The approval of the national strategy on early school-leaving is still delayed, so there was real no possibility to implement it. The rate of early school leavers increased in 2013, yet again. **Some progress** on labour-market-relevant skills, competences and qualifications. Vocational and educational training reform has been launched to ensure better labour market skills for students through a dual model. Monitoring of the changes is essential for timely intervention if needed. Schools do not equip their pupils with the basic skills needed to join the labour market and to participate in lifelong learning programmes. **No progress** on access to inclusive mainstream education, in particular for Roma. Equal access to mainstream quality education is still a major problem for disadvantaged children. The number of Roma majority schools has increased. **Limited progress** on higher-education reform that enables greater tertiary attainment. Hungary would need to do more to ensure that implementing the higher education reform improves access to education for disadvantaged people.	**6.** Implement a national strategy on **early school leaving prevention** with a focus on drop-outs from vocational education and training. Put in place a systematic approach to promote inclusive mainstream education for disadvantaged groups, in particular Roma. Support the transition between different stages of education and towards the labour market, and closely monitor the implementation of the vocational training reform. **Implement a higher-education reform** that enables greater tertiary attainment, particularly by disadvantaged students.
	7. Gradually abolish **regulated energy prices** 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	**Limited Progress:** **No progress** on energy. Regulated energy prices were cut by 20 % in 2013 and further cuts in the regulated price are scheduled in 2014, for both electricity and gas. In combination with other	**7. Review the impact of energy price regulation on incentives** to invest and on competition in the electricity and gas markets. Take further steps to ensure the autonomy of the national regulator in establishing network tariffs and conditions. Take measures to **increase energy efficiency** in

	operating costs and increasing revenues.	measures (e.g. taxes in the energy sector), these price cuts have had a negative impact on the investment climate in Hungary in the energy sector and possibly beyond. They have resulted in a more concentrated energy sector with less competition and opportunity for investment and in higher industrial costs in relative terms. The independence of the national regulator has **not improved** in practice, as the minister can dismiss its proposals. **Limited progress** on state-owned transport enterprises. Some progress in restructuring the state-owned enterprises (MÁV and Volán), in harmonising their operations through the elimination of competition between rail and bus services, but only limited progress was achieved on the implementation of potentially revenue increasing measures.	particular in the residential sector. Further **increase the sustainability of the transport system**, inter alia by reducing operating costs and reviewing the tariff system of state-owned enterprises in the transport sector.

MT	Country Specific Recommendations 2013 **SGP: CSR 1 and MIP: CSR 2, 5**	Assessment of implementation of CSR 2013 **(based on COM staff documents)**	Country Specific Recommendations 2014 **SGP: CSR 1 and MIP: CSR -**
	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 2019**. 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.**	**Some Progress:** Despite meeting the nominal deficit target in 2013 with a comfortable margin, according to the Commission 2014 spring forecast, Malta is expected to reduce further the headline deficit in 2014 to a level below the one recommended by the Council (2.5% of GDP) while the improvement in the structural balance over 2013 and 2014 would be much lower and is expected to fall short of the recommended level. In addition, based on the no-policy-change Commission forecast, there is a risk of significant **deviation from the progress** towards the MTO in 2015. **Substantial progress** has been made with regard to reforming the fiscal framework, as the authorities have endorsed a comprehensive Fiscal Responsibility Act. **Some progress** has been made in increasing tax compliance and fighting tax evasion. A number of measures have been put in place to streamline tax collection procedures and facilitate tax collection, but concrete achievements are still difficult to measure. No change has been made with respect to reducing the debt bias in corporate taxation, although the role of the tax system in relation to debt is less clear.	**1. Correct the excessive deficit in a sustainable manner by 2014.** In 2015, significantly strengthen the budgetary strategy to ensure the required structural adjustment of 0,6 % of GDP towards the medium-term objective. Thereafter, pursue a structural adjustment of at least 0,5 % of GDP each year, and more in good economic conditions or if needed to ensure that the debt rule is met in order to **keep the general government debt ratio on a sustained downward path**. Finalise the adoption of the Fiscal Responsibility Act with a view to putting in place a binding, rule-based multiannual fiscal framework and establishing an independent institution charged with the monitoring of fiscal rules and endorsing macroeconomic forecasts underpinning fiscal planning. **Continue improving tax compliance and fighting tax evasion** by ensuring the continued roll-out and evaluation of measures taken so far, while taking additional action, in particular by promoting the use of electronic means of payment.
	2. To ensure the long-term sustainability of public finances, continue to **reform the pension system** to curb the projected increase in expenditure, including by measures such as accelerating the	**Limited Progress:** **No progress** in accelerating the reform of the pension system to curb the projected increase in	**2**. To ensure the long-term sustainability of public finances continue the ongoing **pension reform**, such as by accelerating the already **enacted increase in the statutory retirement age** and by

	increase in the statutory retirement age, increasing the effective retirement age by aligning retirement age or pension benefits to changes in life expectancy and by encouraging private pension savings. Take measures to increase the employment rate of older workers by finalising 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.	expenditure. **Some progress** has been achieved in introducing a third pillar private pension. **Some progress** in introducing measures to increase the employment rate of older workers, especially through the launching of the National Strategic Policy on Active Ageing. **Limited progress** in ensuring the sustainability of the healthcare system. The Maltese authorities have implemented some measures to rationalize procurement of pharmaceuticals and medical supplies and to improve the management in Mater Dei hospital. However there is no evidence that they have achieved any progress in improving primary and community health care. **Some progress** has been made with respect to the public procurement. Malta is shifting to a fully electronic public procurement system for tenders above EU threshold by 2014. Malta has also informed of a significant reduction of the length of the procedure and of measures aiming at further reduction.	consecutively linking it to changes in life expectancy. Ensure that a comprehensive **reform of the public health system** delivers a cost-effective and sustainable use of available resources, such as strengthening primary care.
	3. Continue to pursue policy efforts to reduce **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 r**eform 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.	**Some Progress:** **Some progress** in setting up a comprehensive early school leaving monitoring system. **Some progress** in increasing the labour market relevance of education and training. **Limited progress** in implementing the apprenticeship reform.	**3.** Continue policy efforts to address the labour-market relevance of **education and training** and by stepping up efforts on the reform of the apprenticeship system. Further improve basic skills attainment and **reduce early school leaving**, in particular by finalising and implementing the announced national literacy strategy. Further **improve the labour-market participation of women**, in particular those wishing to re-enter the labour market by promoting flexible working arrangements.

		Substantial progress has been achieved in enhancing the provision and affordability of child-care in Malta through the provision of free childcare.	
	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.	**Limited progress:** **Limited progress** with respect to the promotion of renewable energy. In particular the installation of photovoltaic systems was incentivised with programs using regional funds and a feed-in tariff. However, due to environmental concerns, the plan to build large-scale wind energy projects was revised and will instead focus on decentralised regeneration of renewable energy. **Some progress** with respect to the electricity link with Sicily. The electricity interconnection between Malta and Italy is being constructed and will be operational by the end of 2014. **Some progress** with respect to energy efficiency. Some measures to implement the Article 7 of the Energy Efficiency Directive were notified in time and seems will transpose the Directive also in time. **Limited progress** with respect to reduce emissions from the transport sector. Malta has implemented a broad and structured set of measures; however, these are of too limited size and scope to significantly improve the performance of the transport sector.	**4. Diversify the energy mix in the economy**, including by increasing the share of energy produced from renewable sources.
	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	**Some Progress:** **Substantial progress** on measures taken to ensure financial stability. Measures have been put in place to improve regulatory oversight and loan loss provisioning.	**5.** Continue efforts to increase the efficiency and reduce the length of public procurement procedures; encourage alternatives to debt-financing of companies through facilitating access to capital markets and developing venture capital funds; and **increase the efficiency of the judicial system** by

	and internationally-oriented banks. Improve the overall efficiency of the **judicial system**, for example by reducing the time needed to resolve insolvency cases.	**Limited progress** on measures taken concerning the judicial system. An ambitious reform of the justice system has been launched, the implementation of which needs to be followed-up closely to avoid delays.	ensuring a timely and efficient implementation of the planned judicial reform.

NL	Country Specific Recommendations 2013 **SGP: CSR 1 and MIP: CSR 2**	Assessment of implementation of CSR 2013 **(based on COM staff documents)**	Country Specific Recommendations 2014 **SGP: CSR 1 and MIP: CSR 2, 4**
	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.**	**Substantial Progress:** **Fully addressed:** Additional measures have been implemented that are expected to correct the excessive deficit in a sustainable manner. **Some progress:** Expenditure in areas directly relevant for growth is under pressure. **Limited progress:** The budgetary adjustment path does not appear to ensure reaching the MTO by 2015.	**1.** Following the correction of the excessive deficit, reinforce the budgetary measures for 2014 in the light of the emerging gap of 0,5 % of GDP based on the Commission services 2014 spring forecast, pointing to a risk of significant deviation relative to the preventive arm of the Stability and Growth Pact requirements. In 2015, significantly **strengthen the budgetary strategy to ensure reaching the medium-term objective** and maintain it thereafter, and ensure that the debt rule is met in order to keep the general government debt ratio on a sustained downward path. **Protect expenditure in areas directly relevant for growth** such as education, innovation and research.
	2. Step up efforts to gradually reform the **housing market** by accelerating the planned reduction in **mortgage interest tax deductibility**, while taking into account the impact in the current economic environment, 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.	**Limited Progress:** **Limited progress:** since last year's NRP, the enthusiasm for further reforms has waned significantly. The implementation of reforms has not been stepped up as recommended, even though the economic outlook has improved and the housing market has stabilised. **Limited progress:** the rental market is still underdeveloped. Rents in the social housing sector are linked to household income but the system introduced has proven costly. The government recently announced that rents will also be more closely linked to the value of the dwelling. This should support turnover in the market. **Limited progress:** despite long waiting lists for social housing, social housing corporations are still engaging in activities outside their core task. The strict separation of (implicitly) subsidised and non-subsidised activities was initially proposed but now	**2.** When the economic environment allows, step up efforts to **reform the housing market** by accelerating the reduction in mortgage interest tax deductibility, by providing for a more market-oriented pricing mechanism in the rental market, and by further relating rents to household income in the social housing sector. **Monitor the effects of the social housing reforms** in terms of accessibility and affordability for low-income households. Continue efforts to **refocus social housing policies** to support households most in need.

		the weaker form of a mere administrative split seems to be considered. It will be more difficult to prevent cross-subsidisation under this arrangement.	
	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.	**Some Progress:** **Some progress:** the Netherlands has partially implemented the part of the recommendation regarding the adjustment of the second pension pillar in consultation with social partners, to ensure an appropriate intra- and inter-generational distribution of costs and risks. The long-term sustainability of the pension system has been strengthened by gradually increasing the first-pillar statutory retirement age from 65 in 2012 to 67 in 2023, but there has been an on-going discussion about the technical parameters for the second-pillar pension reform. An agreement reached in December 2013 is to be transposed in legislation in the course of 2014. From 2.15 % in 2014, the annual accrual rate exempted from taxes will be lowered to 1.875 % from January 2015. In principle, this should lead to a decrease in the height of the pension premiums. The Dutch Central Bank will monitor the situation. Under the planned reforms, the financial supervision of the pension funds will be improved and made more rigorous. Better use will also be made of financial buffers in order to better cope with financial shocks. This should reduce the system's pro-cyclicality. If pensions need to be adjusted following financial shocks, the Central Bank will assess the way in which the pension funds have taken inter-generational effects into account to ensure inter- and intra-generational fairness in pension contracts. The proposed legislation is awaiting parliamentary approval. **Substantial progress:** several measures have been taken to encourage older workers to work longer	**3. Implement reforms of the second pillar of the pension system**, ensuring an appropriate intra- and inter-generational distribution of costs and risks. Underpin the gradual increase of the statutory retirement age with measures to improve the employability of older workers. **Implement the envisaged reform in the area of long-term care** with a view to ensure sustainability, while ensuring fair access and the quality of services and monitor its effects.

		and increase their labour mobility. As a result, the effective retirement age has been increasing significantly, narrowing the gap between the statutory and the effective retirement age. **Some progress:** it is also planned to reform the long-term care system from 2015. The reform will shift responsibilities from the state partly to municipalities and partly to health insurers, with a view to getting people to make greater use of informal care. The parliament is negotiating the proposed legislation. Whilst this reform is a step in the right direction, more will need to be done to ensure the long-term sustainability of public finances.	
	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 phasing-out of transferable tax credits for second income earners. Foster labour market transitions and **address labour market rigidities**, including by reforming employment protection legislation and the unemployment benefit system.	**Some Progress:** **Some progress:** to increase the number of hours worked some tax measures (e.g. phasing out the transferable tax credit and increasing the labour tax credit for lower incomes) have been implemented, but the situation remains largely unchanged. Full-time female participation remains low. The high percentage of women working part-time contributes to a high gender pay gap (17.9 %) and pension gap (40 %). To make women more financially independent and alleviate future labour supply shortages, they need to work more hours. **Some progress**: a Participation Act has been drafted to increase the labour market participation of people who live far from work. The parliament is discussing it and it is planned to implement it from January 2015. It aims to improve the labour market participation of people with disabilities by merging and reforming several benefit schemes, while shifting responsibility for their execution to municipalities and reducing overall funding. This increased responsibility, combined with substantial	**4.** Take further measures to **enhance labour market participation** particularly among people at the margins of the labour market and to reduce tax disincentives on labour. **Implement reforms of employment protection legislation and the unemployment benefit system, and further address labour market rigidities**. In consultation with the social partners and in accordance with national practice, allow for more differentiated wage increases by making full use of the existing institutional framework.

		budget cuts for the municipalities, might create implementation problems. It is therefore crucial to monitor the reform's impact on the quality of service provision. **Substantial progress:** in addition to the reform of unemployment benefits and employment protection legislation, which are supposed to have a positive effect on labour mobility, a decrease in labour segmentation is scheduled to be implemented from July of this year (parts of employment protection legislation) until January 2016 (decrease of the maximum duration of unemployment benefits).	

AT	Country Specific Recommendations 2013 **SGP: CSR 1 and MIP: CSR -**	Assessment of implementation of CSR 2013 **(based on COM staff documents)**	Country Specific Recommendations 2014 **SGP: CSR 1 and MIP: CSR -**
	1. Implement the budget for the year 2013 as envisaged so as to correct the excessive deficit in a sustainable manner and **achieve the average annual 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.	**Some Progress:** **Fully implemented** the recommendation for corrective the excessive deficit in a sustainable manner; **No progress** has been made towards pursuing a structural adjustment consistent with the requirement of the pact. The achievement of the MTO is still envisaged in 2016. **Some progress** has been made to streamline fiscal relations among layers of government	**1.** Following the correction of the excessive deficit, **reinforce the budgetary measures** for 2014 in the light of the emerging gap of 0,5 % of GDP based on the Commission services 2014 Spring forecast and after taking into account additional consolidation measures announced by Austria, pointing to a **risk of significant deviation relative to the preventive arm of the Stability and Growth Pact requirements**. In 2015, significantly strengthen the budgetary strategy to ensure that the medium-term objective is reached and, thereafter, maintained, and ensure that the debt rule is met in order to keep the general government debt ratio on a sustained downward path. **Further streamline fiscal relations between layers of government**, for example by simplifying the organisational setting and aligning spending and funding responsibilities.
	2. Bring forward the harmonisation of pensionable age for men and women, increasing the effective retirement age by aligning **retirement age** or pension benefits to changes in life expectancy implement and monitor the recent reforms restricting access to early retirement and further improve older workers' employability in order to raise the effective retirement age and the employment rate of older workers.	**Some progress:** **No progress** has been made towards equalising the retirement age for women's and men. **Substantial progress** in restricting access to early retirement, improving the process of reintegration into the workforce and offering opportunities for re-training. Some progress has also been made in improving older workers' employability, in particular by facilitating reintegration into the workforce and offering opportunities for re-training.	**2.** Improve the **long-term sustainability of the pension system**, in particular by bringing forward the harmonisation of the statutory retirement age for men and women, by increasing the effective retirement age and by aligning the retirement age to changes in life expectancy. Monitor the implementation of recent reforms restricting access to early retirement. Further improve the **cost effectiveness and sustainability of healthcare and long-term care services.**
	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 continuing to improve the	**Some Progress:** **Some progress** has been made in improving childcare and long-term care services while limited progress has been made to address the high gender pay and pension gaps.	**3.** Reduce the high tax wedge on labour for low-income earners by **shifting taxation** to sources less detrimental to growth, such as recurrent taxes on immovable property, including by updating the tax base. Reinforce measures **to improve labour market prospects** of people with a migrant

	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.	**Some progress** has been made towards better utilisation of the labour market potential of people with a migrant background. Advisory services offering guidance on the recognition process have been improved but further simplification of the whole recognition process as well as improvement of the general labour market conditions for people with a migrant background is needed. So far, only **limited progress** can be reported in terms of reducing the tax burden for low-income earners and shifting it to recurrent property taxes.	background, women and older workers. This includes further improving childcare and long-term care services and the recognition of migrants' qualifications. **Improve educational outcomes** in particular for disadvantaged young people including those with a migrant background, by enhancing early childhood education and reducing the negative effects of early tracking. Further improve strategic planning in higher education and enhance measures to reduce dropouts.
	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.	**Some Progress:** **Some progress** has been made in the implementation of healthcare reform, although important challenges are yet to be addressed, in particular reducing the level of in-patient treatment and ensuring the long-term sustainability of healthcare services. Some progress has been made in improving the cost-effectiveness of public spending on healthcare. **Some progress** has been made to ensure the provision of long-term care in the medium term but additional effort to improve the sustainability of the sector in the long term is 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**.	**Some Progress:** **Some progress** has been made in addressing the CSR on education. Austria has taken several measures. Educational achievement has improved slightly, but socio-economic background continues to have a significant influence and insufficient emphasis is put on preventing early school leaving at an early stage. A nationwide strategic approach for high-quality early-childhood education is needed.	

		Some progress can be reported in the area of higher education. The effective implementation of the higher education plan in operation until 2021 requires close monitoring. This plan can be considered as an instrument for improving coordination but it does not provide a comprehensive strategic framework for the development of higher education.	
	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.	**Limited Progress:** **Limited progress** has been made in strengthening the powers of the competition authority, as it remains understaffed. **Limited progress** has been made in removing excessive barriers preventing service providers from entering the market. No general review exercise has taken place. Austria is however taking part in a mapping of regulated professions being carried out by the Commission (a legal obligation under the revised Professional Qualifications Directive). **No progress** in promoting competition in the railway sector. No measures have been taken.	**4. Remove excessive barriers for services providers,** including as regards legal form and shareholding requirements and with respect to setting up interdisciplinary services companies. Review whether restrictions on entry into and conduct in regulated professions are proportionate and justified by general interest. Identify the reasons behind the low value of public contracts open to procurement under EU legislation. Substantially strengthen the resources of the Federal Competition Authority.
	7. With a view to maintaining financial stability continue to closely oversee the nationalised and partly **nationalised banks** and speed up their **restructuring**.	**Some Progress:** **Some progress** has been made as regards the restructuring of nationalised and partially nationalised state-owned banks in 2013, but the overall situation of these banks (especially of Hypo Alpe Adria) remains difficult.	**5.** Continue to closely oversee and advance effectively the orderly restructuring of the nationalised and partly **nationalised banks**.

PL	**Country Specific Recommendations 2013** **SGP: CSR 1 and MIP: CSR -**	**Assessment of implementation of CSR 2013** **(based on COM staff documents)**	**Country Specific Recommendations 2014** **SGP: CSR 1 and MIP: CSR -**
	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**	**Some Progress:** Progress in ensuring the timely correction of the excessive deficit was limited until autumn 2013. Since then, and following a new Council recommendation under the EDP, the situation of public finances has **improved** on the back of both better than expected economic growth and some additional policy measures. According to the Commission's 2014 spring forecast, the headline balance and the structural improvement in 2014 are set to be in line with the new EDP Council recommendation. Further consolidation measures are needed to ensure sustainable correction of the excessive deficit in 2015. **Limited progress** in targeting social policies. Some measures to reform social protection system announced but no further developments observed. **Limited progress** in increasing the cost effectiveness and efficiency of spending in the healthcare sector. Some measures on patient eligibility assessment to join pharmaceutical programmes were implemented. **Some progress** in increasing tax compliance and the efficiency of the tax administration. More information has been made accessible to tax authorities in the mortgage register and reverse charge in VAT was introduced for some products. A single database of tax identification numbers was introduced and changes to the structure of the tax administration announced.	**1**. Reinforce the budgetary strategy to ensure the correction of the excessive deficit in a sustainable manner by 2015 through **achieving the structural adjustment effort specified in the Council recommendation under the Excessive Deficit Procedure.** After the correction of the excessive deficit and until the medium-term objective is achieved, pursue an annual structural adjustment of 0,5 % of GDP as a benchmark. A durable correction of the fiscal imbalances requires a credible implementation of ambitious structural reforms to increase the adjustment capacity and boost growth and employment. In that regard, minimise cuts in growth-enhancing investment, **improve the targeting of social policies and the cost effectiveness of spending** and the overall efficiency of the healthcare sector, broaden the tax base for example by addressing the issue of an extensive system of reduced VAT rates, **and improve tax compliance, in particular by increasing the efficiency of the tax administration.** Establish an independent fiscal council.
	2. Ensure the enactment of a **permanent**	**Substantial Progress:**	

	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.**	**<u>Substantial progress</u>** in enactment of permanent expenditure rule. The rule has been adopted. **<u>Substantial progress</u>** in taking measures to strengthen coordination among different levels of government. The new permanent expenditure rule takes into account the spending of local governments when setting the expenditure level; existing uniform limits on local governments replaced by individual debt constraints; adopted regulations concerning remedial programme for local governments in cases of reaching of individual debt constraints; uniform type of long-term financial forecast for the local governments adopted.	
	3. Strengthen efforts to reduce **youth unemployment**, for example through a Youth Guarantee, increase the availability of 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** including through better transition from fixed-term to permanent employment and by reducing the excessive use of civil law contracts.	**Some Progress:** **<u>Some progress</u>** in efforts to reduce youth unemployment. Youth Guarantee Implementation Plan presented in December 2013 and an updated version in April 2014 **<u>Some progress</u>** in increasing the availability of apprenticeships and work-based learning. The reform of the vocational education system is on-going. **<u>Some progress</u>** in strengthening cooperation between schools and employers. Modernisation of core curricula aimed at adjusting tem to the needs of employers is on-going. **<u>Substantial progress</u>** in improving the quality of teaching. National graduates' tracking system is planned and faster paths for adults to complete tertiary education are envisaged. **<u>Substantial progress</u>** on the life-long learning	**2.** Strengthen efforts to reduce **youth unemployment,** in particular by further improving the relevance of education to labour market needs, increasing the availability of apprenticeships and work-based learning places and by strengthening outreach to unregistered youth and the cooperation between schools and employers, in line with the objectives of a youth guarantee. Increase adult participation in **lifelong learning** in order to adjust skills supply to skills demand. Combat **labour market segmentation** by stepping up efforts to ensure a better transition from fixed-term to permanent employment and by reducing the excessive use of civil law contracts.

		strategy. In September 2013, the lifelong learning strategy was adopted but its implementation is still pending. **Limited progress** in combating in-work poverty. Increase in the statutory minimum wage was undertaken. **No progress** in combating labour market segmentation.	
	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 sectoral 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.	**Some Progress:** **Some progress** in increasing female labour market participation. Poland plans to offer every eligible child a place in pre-school education by 2017 and has planned to boost funding. The number of places in early childcare still far too low to satisfy needs. **No progress** in phasing out special pension scheme for farmers and miners. **Some progress** in promoting employability of older workers. The lifelong learning strategy has been adopted and some measures have been announced in the draft programme: Solidarity across Generations 50+.	**3.** Continue efforts to **increase female labour market participation**, in particular by taking further steps to increase the availability of affordable quality childcare and pre-school education and ensuring stable funding. Include farmers in the general pension system, starting by speeding up the creation of the system for the assessment and recording of farmers' incomes. Phase out the special pension system for miners with a view to integrating them into the general scheme. Underpin the **general pension reform** by stepping up efforts to promote the employability of older workers to **raise exit ages** from the labour market.
	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.	**Limited Progress:** **Some progress** in strengthening links between research, innovation and industrial policy. The Enterprise Development Programme, the Smart Growth Operational Programme 2014-20 and the Smart Specialisation Strategy were adopted. Numerous co-operative projects and funding instruments involving academia and business are being introduced and coordinated by the applied research agency (NCBiR). **Limited progress** in further developing revolving	**4.** Improve the effectiveness of tax incentives in promoting R&D in the private sector as part of the efforts to **strengthen the links between research, innovation and industrial policy**, and better target existing instruments at the different stages of the innovation cycle.

		instruments. The Enterprise Development Programme proposes new support system of financial instruments for R&D. **<u>Limited progress</u>** with reforming tax incentives for R&D. The Enterprise Development Programme announces the introduction of tax reliefs for innovative projects. **<u>Limited progress</u>** in better targeting existing instruments. New support instruments have been introduced to fill in the identified gaps such as the support to innovative capital (NCBiR and National Capital Fund). The Enterprise Development Programme and the programmes of the new financial perspective 2014-2020 include several measures streamlining the support for the entire innovation cycle.	
	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 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.	**Limited Progress:** **<u>Limited progress</u>** in energy generation and efficiency. The White Certificate System has been started but overall energy efficiency remains poor. **<u>Some progress</u>** in developing the electricity grid. Progress in enabling reverse flows was achieved. Short-term solutions for unscheduled loop flows going through its electricity grid were adopted and cross-border electricity interconnections are under development. **<u>Limited progress</u>** on phasing out regulated prices. Price regulation continues at the retail gas markets and it is maintained for most industrial customers. **<u>Limited progress</u>** in railway investment and infrastructure. Progress on many projects is still slow and poorly planned. However, the railway regulator's budget was increased in 2013 and some	**5.** 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 cross-border interconnections to neighbouring Member States, and develop the gas interconnector with Lithuania. Ensure effective implementation of **railway investment projects** without further delay and improve the administrative capacity in this sector. Accelerate efforts to **increase fixed broadband coverage. Improve waste management**.

		legal changes were introduced. **<u>Limited progress</u>** in broadband coverage. Absorption of funds from Rural Development Programme remains low and the assignment of spectrum for mobile systems is postponed. **<u>Some progress</u>** in improving waste and water management. Law on waste management has been implemented but further constraints arise due to insufficient separate collection and inadequate infrastructure for alternative treatment.	
	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.	**Some Progress:** **<u>Some progress</u>** in the simplification of contract enforcement. Some electronic procedures were introduced, complaints procedure speeded up and there is more use of the mediation procedure. Clearance rate of enforcement cases rose to 99 %. **<u>Limited progress</u>** in simplification of requirements for construction permits. Amendments to the construction law have been proposed covering mostly residential permits. Codification committee expected to present proposal for a comprehensive reform in late 2014. **<u>Limited progress</u>** on reducing tax compliance costs. Changes to the structure of the tax administration have been introduced as a prelude to an e-tax reform and the legal framework to set up a tax portal was announced. **<u>Substantial progress</u>** in facilitating access to regulated professions. First of the three planned tranches of reform fully implemented and further tranches are to follow in 2014.	**6.** Take **further steps to improve the business environment** by simplifying contract enforcement and requirements for construction permits. Step up efforts to reduce costs and time spent on tax compliance by businesses. Complete the ongoing reform aimed at **facilitating access to regulated professions.**

PT	[Country Specific Recommendations 2013]()	**Assessment of implementation of CSR 2013 (based on COM staff documents)**	**[Country Specific Recommendations 2014]()** **SGP: CSR 1 and MIP: CSR -**
	To avoid duplication with measures set out in the [Economic Adjustment Programme](), there are no additional recommendations for Portugal.	Since the end of the macroeconomic adjustment programme, which will be legally concluded on 28 June 2014 Portugal will be under Post Programme Surveillance (in accordance with Regulation 472/2013) and integrated fully in the European Semester process.	**1.** Implement the necessary **fiscal consolidation measures** for 2014 so as to achieve the fiscal targets and prevent the accumulation of new arrears. For the year 2015, implement a **revised budgetary strategy in order to bring the deficit to 2,5 % of GDP,** in line with the target set in the Excessive Deficit Procedure Recommendation, while achieving the required structural adjustment. Replace consolidation measures which the Constitutional Court considers unconstitutional by measures of similar size and quality as soon as possible. The correction of the excessive deficit should be done in a sustainable and growth-friendly manner, limiting recourse to one-off/temporary measures. After the correction of the excessive deficit, pursue the planned annual structural adjustment towards the medium-term objective, in line with the requirement of an annual structural adjustment of at least 0,5 % of GDP, more in good times, and ensure that the debt rule is met in order to put the high general debt ratio on a sustainable path. **Prioritise expenditure-based fiscal consolidation and increase further the efficiency and quality of public expenditure**. Maintain tight control of expenditure in central, regional and local administration. Continue the restructuring of the state-owned enterprises. Develop by the end of 2014 new comprehensive measures as part of the ongoing pension reform, aimed at improving the medium-term sustainability of the pension system. Control healthcare expenditure growth and proceed with the hospital reform. Review the tax system and make it more growth-friendly. **Continue to improve tax compliance and fight tax evasion** by increasing the efficiency of the tax administration.

			Strengthen the system of public financial management by swiftly finalising and implementing the comprehensive reform of the Budgetary Framework Law by the end of 2014. Ensure strict compliance with the Commitment Control Law. Effectively implement single wage and supplements' scales in the public sector from 2015 onwards.
			2. Maintain **minimum wage developments** consistent with the objectives of promoting employment and competitiveness. Ensure a wage setting system that promotes the alignment of wages and productivity at sectoral and/or firm level. Explore, in consultation with the social partners and in accordance with national practice, the possibility of mutually agreed firm-level temporary suspension of collective agreements. By September 2014, present proposals on mutually agreed firm-level temporary suspension of collective agreements and on a revision of the survival of collective agreements.
			3. Present, by March 2015, an independent **evaluation of the recent reforms in the employment protection system**, together with an action plan for possible further reforms to tackle labour market segmentation. Pursue the ongoing reform of active labour market policies and Public Employment Services aimed at **increasing employment and labour participation rates**, specifically by improving job counselling/job search assistance and activation/sanction systems with a view to reducing long-term unemployment and integrating those furthest away from the labour market. **Address the high youth unemployment**, in particular by effective skills anticipation and outreach to non-registered young people, in line with the objectives of a youth guarantee. Ensure adequate coverage of social assistance, including the minimum income scheme, while ensuring

			effective activation of benefit recipients.
			4. Improve the quality and labour-market relevance of the **education system** in order to reduce early school leaving and address low educational performance rates. Ensure efficient public expenditure in education and reduce skills mismatches, including by increasing the quality and attractiveness of vocational education and training and fostering cooperation with the business sector. Enhance cooperation between public research and business and foster knowledge transfer.
			5. Monitor banks' liquidity position and potential capital shortfalls, including by on-site thematic inspections and stress-testing. Assess the banks' recovery plans and introduce improvements to the evaluation process where necessary. Implement a comprehensive strategy to reduce the corporate debt overhang and reinforce efforts to widen the range of financing alternatives, including for early stages of business developments, by enhancing the efficiency of the debt restructuring tools (particularly PER and SIREVE) for viable companies, introducing incentives for banks and debtors to engage in restructuring processes at an early stage and improving the availability of financing via the capital market. Ensure that the identified measures support the reallocation of financing towards the productive sectors of the economy, including to viable SMEs, while avoiding risks to public finances and financial stability. Implement, by end September 2014, an early warning system mainly with supervisory purposes, to identify firms, including SMEs, with a high probability of default due to an excessive level of indebtedness, and which can, indirectly, promote early corporate debt restructuring.
			6. Implement the second and third packages of measures in the energy sector aimed at reducing energy costs for the economy, while eliminating the

			electricity tariff debt by 2020, and closely monitor implementation. Improve the cross-border integration of the energy networks and speed up implementation of the electricity and gas interconnection projects. Implement the comprehensive long-term transport plan and the "chronogram" setting out the ports sector reforms. Complete the transports concessions for the metropolitan areas of Lisbon and Oporto. Ensure that the renegotiations of the existing port concessions and the new authorisation schemes are performance-oriented and in line with internal market principles, in particular procurement rules. Ensure that the national **regulatory authority for transport (AMT)** is fully independent and operational by the end of September 2014. Ensure the financial sustainability of the state-owned enterprises in the transport sector. Strengthen efficiency and competition in the railways sector, by implementing the plan for the competitiveness of CP Carga, after the transfer of the freight terminals while ensuring the management independence of the state-owned infrastructure manager and railway undertakings.
			7. Further improve the evaluation of the **housing market,** including by setting up, by the end of 2014, a more systematic monitoring and reporting framework and issue a comprehensive report on the shadow economy in that market. Continue efforts to carry out further inventories of regulatory burdens with a view to including, by March 2015, sectors not yet covered. Adopt and implement, by the end of September 2014, the outstanding licensing decrees and sectoral amendments. **Remove, by the end of September 2014, remaining restrictions in the professional services sector** and enact the professional bodies' amended by-laws which have not yet been adopted under the macroeconomic adjustment programme. **Eliminate payment delays**

			by the public sector. Ensure adequate resources of the national regulators and competition authority.
			8. Continue to rationalise and modernise central, regional and local public administration. Implement the reforms to **enhance the efficiency of the judicial system and increase transparency**. Step up efforts to evaluate the implementation of reforms undertaken under the macroeconomic adjustment programme as well as planned and future reforms. In particular, insert mandatory systematic ex ante and ex post assessments in the legislative process. Set up a functionally independent central evaluation unit at government level, which assesses and reports every six months on the implementation of these reforms, including consistency with the ex ante impact assessment, with corrective action if needed.

RO	**Country Specific Recommendations 2013** **SGP: CSR 2 and MIP: CSR -**	**Assessment of implementation of CSR 2013** **(based on COM staff documents)**	**Country Specific Recommendations 2014** **SGP: CSR 2 and MIP: CSR -**
	1. Complete the EU/IMF financial assistance programme.	**Substantial Progress:** The 2011-13 EU/IMF programme has been **completed**. A new balance of payments programme was agreed in autumn 2013.	**1. Implement the EU/IMF financial assistance programme** by fully addressing the policy conditionality - included in the Memorandum of Understanding of 6 November 2013 and its subsequent supplements - that complements and supports the implementation of these country-specific recommendations.
	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. Continue the pension reform started in 2010 by equalising the pensionable age for men and women and by promoting the employability of older workers.	**Some Progress:** **Substantial progress:** Romania's excessive deficit procedure was abrogated. Fiscal consolidation continues with the aim to reach the medium-term objective by 2015 but risks remain. **Some progress:** Some measures have been taken, including increasing the capacity of the anti-fraud administration. Yet tangible progress in voluntary tax compliance and fighting undeclared work is limited. **Some progress:** There has been an increase of transport fuel excises; however there has been not progress regarding increasing reliance on energy and environmental taxes other than transport fuel taxes. **Limited progress:** The amendments to the pension law to equalise pensionable age between men and women have been adopted by the government and are in the Parliament. The National Strategy for Active Ageing to promote the employability of older workers is delayed.	**2.** Implement the budgetary strategy for 2014, **significantly strengthen the budgetary effort** to ensure reaching the medium-term objective in 2015 in line with commitments under the Balance of Payments programme and as reflected in the 2014 Convergence Programme, in particular by specifying the underlying measures, and remain at the medium-term objective thereafter. **Improve tax collection** by continuing to implement a comprehensive tax compliance strategy, stepping up efforts to reduce VAT fraud. Fight undeclared work. Reduce tax burden for low- and middle-income earners in a budget-neutral way. Finalise the **pension reform** started in 2010 by equalising the pensionable age for men and women.
	3. Pursue **health sector reforms** to increase its efficiency, quality and accessibility, in particular for disadvantaged people and remote and isolated	**Some Progress:** **Some progress:** A comprehensive reform of the	**3.** Step up **reforms in the health sector** to increase its efficiency, quality and accessibility, including for disadvantaged people and remote and isolated

	communities. Reduce the excessive use of hospital care including by strengthening outpatient care.	health care system is on-going. The basic benefits package was re-designed and is being implemented. The implementation of the minimum package is being delayed to 2015. **Limited progress:** The Ministry of Health has developed a plan to reduce hospital beds by 6 000 beds over the period 2014-2016 by strengthening ambulatory care, but implementation is still outstanding.	communities. Increase efforts to curb informal payments, including through proper management and control systems.
	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 rapidly 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.	**Limited Progress:** **Limited progress:** The laws on unemployment insurance and employment stimulation were amended to support active labour market measures. The National Employment Strategy 2013-2020 was adopted in December 2013. There was very limited progress on promoting lifelong learning. **Limited progress:** Despite some measures taken the capacity of National Employment Agency remains limited. **Some progress:** The 2013 National Plan for Youth Employment was partially implemented, including through the amendments of the Apprenticeship Law and a new traineeship law adopted in December 2013. The Youth Guarantee initiative is being implemented. **Limited progress**: There was a revision of the minimum guaranteed income and the law on family allowance was amended. Measures were taken to protect vulnerable consumers against the increase of energy and gas prices. The minimum insertion income program that was expected to be implemented starting with 2015 is being delayed. The social economy law is under debate in parliament. The strategy for social inclusion and	**4.** Strengthen **active labour-market measures** and the capacity of the National Employment Agency. Pay particular attention to the activation of unregistered young people. Strengthen measures to promote the employability of older workers. Establish, in consultation with social partners, clear guidelines for **transparent minimum wage setting**, taking into account economic and labour market conditions. **6.** In order to alleviate poverty, **increase the efficiency and effectiveness of social transfers**, particularly for children, and continue reform of social assistance, strengthening its links with activation measures. Step up efforts to implement the envisaged measures to favour the integration of Roma in the labour market, increase school attendance and reduce early school leaving, through a partnership approach and a robust monitoring mechanism.

		combating poverty is in preparation. **<u>Limited progress:</u>** The revision of the National Roma Integration Strategy and its Action Plans, announced at the beginning of 2013 is still not completed.	
	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.	**Limited Progress:** **<u>Limited progress</u>** in building up of administrative capacity at both central and local level and evaluating the impact of the reforms. **<u>Limited progress</u>** in stepping up reforms in vocational education and training. A vocational education and training scheme introduced in 2013 was somewhat expanded and improved in scope but its coverage is insufficient. **<u>Limited progress</u>** in further aligning tertiary education with the needs of the labour market and improving access for disadvantaged people. The finalisation of the strategy on tertiary education addressing the issues of access and labour market transition is delayed. Some progress has been achieved in updating qualifications for higher education. **<u>Limited progress</u>** in implementing a national strategy on early school leaving focusing on better access to quality early childhood education, including for Roma children. The strategy on early school leaving is delayed. **<u>Limited progress:</u>** A national strategy for protecting and promoting the rights of the child is under preparation and is planned for adoption by end-2014.	**5.** Increase the quality and access to vocational **education and training,** apprenticeships, tertiary education and of lifelong learning and adapt them to labour market needs. Ensure better access to **early childhood education and care.**
	6. Strengthen governance and the quality of institutions and the public administration, in	**Limited Progress:**	**7.** Step up efforts to strengthen the capacity of **public administration**, in particular by improving

	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.	**Limited progress** on budgetary planning; limited progress on improved human resource management; some progress on coordination within the government though the establishment of the Delivery Unit and drafting of the national administrative capacity strategy. **Limited progress** on improving quality of regulation. The national Better Regulation strategy for 2008-2013 is under revision. The common methodology for impact assessments, including the SME test will be ready only by end-2015. The legislation on impact assessment will be codified in 2014. **Some progress** on better absorption of EU funds (as the structural and cohesion funds absorption rate increased from 11.5 % at end-2012 to 33.7 % at end-2013). Limited progress with respect to improving public procurement, Efforts to prevent conflict of interests and transparency issues in public procurement have not delivered sufficient results so far.	efficiency, human resource management, the decision-making tools and coordination within and between different levels of government; and by improving transparency, integrity and accountability. Accelerate the absorption of EU funds, strengthen management and control systems, and improve capacity of strategic planning, including the multi annual budgetary element. Tackle persisting shortcomings in public procurement. Continue to improve the quality and efficiency of the **judicial system**, fight corruption at all levels, and ensure the effective implementation of court decisions.
	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.	**Limited Progress:** **Some progress** in reducing the administrative burden and simplify the business environment. The quantification of the information obligations is on-going and new simplification Action Plan is to be prepared in 2014. **No progress:** no coherent e-government strategy and limited interoperability. **Some progress:** The scheme for state guarantees for bank lending has been improved and relaunched in 2014. No progress has been achieved as regards the development of alternative forms of financing for companies. Access to finance for SMEs remains	

		difficult and costly and the funding conditions to SMEs are expected to tighten during next months. **No progress:** There is a lack of formal coordination between the Innovation Strategy, Competitiveness Strategy, Industrial Policy Strategy and SMEs Strategy. A National Strategy for Competitiveness and the National Strategy for Research and Innovation for 2014-2020 including a component on smart specialisation are in drafting stage, with multi annual financing not secured. **Some progress** in improving the quality, independence and efficiency of the judicial system.	
	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.	**Limited Progress:** **Fully addressed:** the independence of the rail regulatory authority has been sufficiently strengthened. **Limited progress** in corporate governance reform of SOEs in transport and energy. **Limited progress** has been made in the adoption of a comprehensive long-term transport plan. **Limited progress** on improving broadband infrastructure. **Fully addressed:** Romania follows the agreed roadmap on liberalisation of retail energy prices. **Limited progress:** More concrete actions and clear commitment of necessary resources are needed to implement energy efficiency programmes and relevant EU legislation. **Some progress** with improving cross-border integration: gas exports are possible; some gas	**8. Promote competition and efficiency in energy and transport industries.** Accelerate the corporate governance reform of state-owned enterprises in the energy and transport sectors and increase their efficiency. Improve and streamline energy efficiency policies. Improve the cross-border integration of energy networks and enable physical reverse flows in gas interconnections as a matter of priority.

		interconnections have been established; no progress in electricity interconnections.	

SI	Country Specific Recommendations 2013 **SGP: CSR 1 and MIP: CSR 1, 2, 3, 4, 5, 6, 7, 8, 9**	Assessment of implementation of CSR 2013 (based on COM staff documents)	Country Specific Recommendations 2014 **SGP: CSR 1 and MIP: CSR 1, 2, 3, 4, 5, 6, 7, 8**
	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 which should be set in line with the Stability and Growth Pact 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.	**Limited Progress:** **Limited progress** in safeguarding fiscal sustainability. After the excessive deficit procedure has been extended to 2015, the government implemented several structural reforms both on the revenue side (increase in VAT rates as of July 2013 and other duties), and on the expenditure side (nominal public sector wages were temporarily cut by 1.25% in 2013, on top of the 3% cut from June 2012, and some allowances were also cut). The Commission stated that the draft budget for 2014-15 is in line with the Stability and Growth Pact rules, albeit with no margin. The consolidation of public finances is progressing slowly, predominantly through revenue increasing reforms without a thorough review of the expenditure side. **Limited progress** in safeguarding a durable correction of the fiscal imbalances. In May 2013, a constitutional amendment providing the basis for the general government budget balance rules was adopted. It was stipulated that the Fiscal Rules Act, which would detail the applicable concepts and mechanisms, would be adopted within six months (by November 2013), but it has been delayed.	**1.** Reinforce the budgetary strategy with sufficiently specified structural measures for the year 2014 and beyond, to ensure **correction of the excessive deficit in a sustainable manner by 2015 through the achievement of the structural adjustment effort specified in the Council recommendation under the Excessive Deficit Procedure.** A durable correction of the fiscal imbalances requires a credible implementation of ambitious structural reforms to increase the adjustment capacity and boost growth and employment. After the correction of the excessive deficit, **pursue a structural adjustment of at least 0,5 % of GDP each year**, and more in good economic conditions or to ensure that the debt rule is met in order to put the high general government debt ratio on a sustained downward path. To improve the credibility of fiscal policy, complete the adoption of a general government budget balance/surplus rule in structural terms, **make the medium-term budgetary framework binding, encompassing and transparent,** and establish the necessary legal basis for a functioning fiscal council defining its remit within the budgetary process and introducing clear procedural arrangements for monitoring budgetary outcomes as soon as possible. Launch a comprehensive review of expenditure covering state and local government levels, direct and indirect budget users and municipality-owned providers of utilities and services in the area of healthcare by the end of 2014 with a view to realising budgetary savings in 2015 and beyond.
	2. Strengthen the **long-term sustainability of the pension system** beyond 2020 by further adjusting all relevant parameters, including through linking	**Limited Progress:** **Limited progress** in safeguarding the sustainability	**2.** Based on the public consultation, agree measures to ensure the **sustainability of the pension system** and adequacy of pensions beyond 2020,

	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 access to services by refocusing care provision from institutional to home care, sharpening targeting of benefits, and reinforcing prevention to reduce disability/ dependency.	and adequacy of its pension system. The pension reform began in January 2013, and aimed to ensure the medium-term sustainability of pension system. Evaluation of the reform was presented in April 2014, showing first positive results. A White Book (due by the end of 2014) will launch a public consultation on the long-term sustainability of the pension system post-2020. Apart from the evaluation, no further action has been taken. **Limited progress** in reforming the system of long-term care: legislation is expected to be adopted before the end of 2014. However, there is a risk that the act will be delayed due to its link to the reform of the health insurance scheme (its funding) and the review of public spending in the healthcare sector, which is being negotiated with the World Bank. Discussions are on-going since 2002 and there are limited expectations that the act will be finalised in 2014. A sharp increase in government debt (Spring forecast: 80.4% in 2014) creates new challenges and risks that require durable policy action to ensure debt sustainability.	encompassing adjustments of key parameters, such as linking the statutory retirement age to gains in life expectancy and encouraging private contributions to the second pillar of the pension system. Contain age-related expenditure on long-term care by targeting benefits to those most in need and refocusing care provision from institutional to home care.
	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	**Limited Progress:** **Limited progress** in ensuring that wage developments support competitiveness and job creation. No amendments to the act on the minimum wage have been made; the minimum wage now stands at EUR 789.15 and is indexed to inflation. Social partners are in a deadlock, and the government remained inactive. A new social agreement, which envisages a comprehensive approach to labour costs, is being negotiated. Gross wages fell slightly in 2013, mostly as a result of wage restraint in the public sector, while wages in non-tradable sector continued to grow.	**3.** Following consultation with social partners and in accordance with national practices, develop a comprehensive Social Agreement by the end of 2014 ensuring that **wage developments, including the minimum wage, support competitiveness, domestic demand and job creation**. Redefine the composition of the minimum wage and review its indexation system. Take measures for further decreasing segmentation, in particular addressing the efficiency of incentives for hiring young and older workers and the use of civil law contracts. Adopt the Act on Student Work. Prioritise outreach to non-registered young people ensuring adequate public employment services capacities. To increase

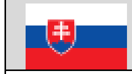
	by further developing cooperation with the relevant stakeholders in assessing labour market needs.	**Some progress** in labour market reform. A reform was adopted in May 2013 and an evaluation is was prepared in April 2014, which showed the first positive developments. The Student Work Act is to be adopted by summer 2014. It introduces social contributions, making student work more expensive. It is not clear what kind of an impact this would act have on the position of young graduates on the labour market. The draft amended Higher Education Act aims to tighten student-status eligibility. However, the timeline for adoption of this act is unclear. **Limited progress** in implementing tailor-made active labour market policy measures; it would focus mostly on the young unemployed (up to the age of 30) by using the Youth Guarantees (action plan adopted in January 2014). Some tailor-made active labour market policy measures have been introduced, however their effectiveness still needs to be ascertained. **Limited progress** on vocational education and training and on developing ways of cooperating with stakeholders in assessing labour market needs.	employment of low-skilled and older workers, adapt the working environment to longer working life and focus resources on tailor-made active labour market policy measures, while improving their effectiveness. **Address skills mismatches** by improving the attractiveness of vocational education and training and by further developing cooperation with the relevant stakeholders in assessing labour market needs.
	4. Take the necessary steps, with input from European partners, to contract an independent **external adviser in 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	**Substantial Progress:** **Fully addressed** the recommendation regarding the independent bank asset quality review and stress test, which were carried out in the second semester of 2013 and covered 70 % of the banking sector. The results were published on 12 December 2013. Transfers of non-performing loans took place after the Commission approved restructuring plans and state aid for the NLB and NKBM banks (18 December 2013). The given concessions were to fully privatise the NKBM and 75 % of the NLB. State-aid approval for the third largest bank,	**4. Complete the privatisation of NKBM** in 2014 as planned, prepare Abanka for privatisation in 2015, continue the prompt implementation of restructuring plans of the banks in receipt of State aid and the necessary consolidation of the banking sector. Based on the lessons from the asset quality review and stress test finalise the comprehensive action plan for banks in August 2014, including specific measures to improve governance, supervision, risk management, credit approval process and data quality and availability. Reinforce banks' capacity to work out non-performing loans by strengthening the internal asset management and

	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.	Abanka, is pending for the Commission's approval of the restructuring plan sent in mid-February 2014. **Fully addressed** the recommendation on the recapitalisation of banks. Based on the results of the exercise, the government provided a total of EUR 3.2 billion in December 2013. **No progress** regarding the situation of the Bank Asset Management Company (BAMC). The BAMC has been made operational but it lacks an asset management strategy and a business plan. **Limited progress** in privatising the NKBM (to be completed by the end of 2014).	restructuring units. **Clarify the mandate of the Bank Asset Management Company** by publishing a comprehensive management strategy and business plan by September 2014, detailing its role in restructuring of its assets, redemption targets, budgets, asset management plans and expected returns, while ensuring adequate resources.
	5. Review the **bank regulatory framework** by end 2013, and based on this review, strengthen supervisory capacity, transparency and statistical disclosure.	**Limited Progress:** **Fully addressed** the recommendation on reviewing the bank regulatory framework by the end of 2013. However, it appears that reflection on the asset quality review and stress test results has been limited. The Bank of Slovenia stated that it would provide a report specifying the further steps to be taken. **No progress** on strengthening supervisory capacity, transparency and statistical disclosure. Despite CRD IV coming into force on 1 January 2014, the authorities have not adopted the necessary legislation (adoption is planned before summer 2014).	**8.** Take effective measures to fight corruption, enhancing **transparency and accountability**, and introducing external performance evaluation and quality control procedures.
	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**.	**Limited Progress:** **Some progress** in addressing the regulated professions; their number has been reduced from 323 to 262. The authorities have also made it easier to obtain business licences.	**7.** Reduce obstacles to **doing business** in Slovenia in key areas for economic development rendering the country more attractive to foreign direct investment particularly through accelerated liberalisation of regulated professions, reduction of administrative burden including leaner authorisation schemes. Ensure sufficient budgetary autonomy for

		No progress on improving its business environment (especially in streamlining and shortening the time required to obtain necessary spatial planning and building permits, which are currently one of the most significant obstacles for foreign direct investment). **No progress** in ensuring sufficient and autonomous financing of the Competition Protection Agency, whose budget was cut by approximately 10 % in 2014, and it is subject to administrative investigations and a high degree of budgetary ex-ante oversight by the Ministry of Economy.	the **Competition Protection Agency** and increase its institutional independence. Streamline priorities and ensure consistency between the 2011 Research and Innovation and the 2013 Industrial Policy Strategies with the upcoming strategies on Smart Specialisation and Transport, ensure their prompt implementation and assessment of effectiveness.
	7. Build on previous efforts to further **reduce the length of judicial proceedings** at first instance in litigious civil and commercial cases and the number of pending cases, in particular enforcement cases.	**Some Progress:** **Some progress** in reducing the length of judicial proceedings: disposition times and case backlogs in overall litigious civil and commercial cases improved, as a consequence of the case management reforms (e.g. Triaza project) and other initiatives. However, the length of trials remains long and the same indicators have not shown a positive trend for enforcement cases.	**6. Finalise a corporate restructuring** master plan by the end of 2014 within clear priorities and effective implementation process. Set up a central corporate restructuring task force monitoring and coordinating the overall restructuring process, providing the necessary expertise, guidance and advice, and facilitating the negotiation process between all stakeholders involved. Establish a list of the most urgent restructuring cases, while maximising the recovery value for creditors. Promote the **use of the available legal mechanisms and international best practices** to all stakeholders in the restructuring process. Evaluate recent changes in the insolvency legislation by September 2014, being ready to introduce any additional necessary measure. Further reduce the length of **judicial proceedings** at first instance in litigious civil and commercial cases including cases under the insolvency legislation, and the number of pending cases, in particular enforcement and insolvency cases.
	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**	**Limited Progress:** **Limited progress** regarding the Slovenian Sovereign Holding (SSH). A new law was adopted in the parliament in late March 2014. The law	**5.** Continue to implement the privatisations announced in 2013 with the time-frames set. Adopt a strategy for the Slovenian Sovereign Holding with a clear classification of assets in line with the timeline and definitions established in the 2014

	(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.	empowers the government to submit a strategy for the SSH within three months of the law coming into force (that is July 2014).	**Slovenian Sovereign Holding** Act. By November 2014, commit to a short-term (one- to two- year horizon) divestment schedule for a number of well-**targeted assets** with a clear time scale. Make it fully operational as a vehicle for the management of assets remaining in State ownership and divestment of the assets earmarked according to the management acts, within the time frame stipulated by the law. By September 2014, adopt and implement a corporate governance code for state-owned enterprises to ensure professional, transparent and independent management.
	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.	**Some Progress:** **No progress** in ensuring a restructuring of the economy and increasing private investment, especially FDI. **Some progress** by adopting several amendments to the Insolvency Act introducing, amongst others, a preventive restructuring proceeding (in the pre-insolvency stage) and a simplified compulsory settlement proceeding. The impact of the reform is yet to be assessed as it remains largely untested. The level of non-performing loans in the corporate sector has substantially increased. Slovenia has made limited progress in addressing the case	

	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.	backlogs and the length of proceedings governed by the Insolvency Act.	

SK 	**Country Specific Recommendations 2013** **SGP: CSR 1 and MIP: CSR -**	**Assessment of implementation of CSR 2013** **(based on COM staff documents)**	**Country Specific Recommendations 2014** **SGP: CSR 1 and MIP: CSR -**
	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**.	**Some Progress:** The recommendation with regards to the correction of the excessive deficit was **fully addressed**. Slovakia sustainably brought the general government deficit below 3% of GDP threshold. **No progress** on reducing the financing gap in the public pension system. No measures have been taken to improve the long-term sustainability of public pensions. **Limited progress** on increasing cost-effectiveness of health care. The government has adopted a Strategic Framework for Health 2014-2030, which aims to increase cost-effectiveness. Implementation strategies to reach its objectives will be elaborated between 2014 and 2016.	**1.** Following the **correction of the excessive deficit**, reinforce the budgetary measures for 2014 in the light of the emerging gap of 0,3 % of GDP relative to the preventive arm of the Stability and Growth Pact requirements based on the Commission services 2014 Spring forecast. In 2015, ensure the required adjustment of 0,1 % of GDP towards the medium-term objective taking into account the expected weak economic conditions. Thereafter, until the medium-term objective is achieved, pursue an annual structural adjustment of 0,5 % of GDP as a benchmark. Further strengthen the fiscal framework, also by ensuring binding and enforceable expenditure ceilings. Improve the long-term sustainability of public finance by increasing the **cost-effectiveness of the healthcare sector**, in particular by rationalising hospital care and management and by strengthening primary care.
	2. 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.	**Some Progress:** **Some progress** on combating tax fraud, implementing the action plan, and improving tax collection and tax compliance. The legislative framework to curb tax evasion has been enhanced markedly, notably in the area of VAT, and the efficiency of the Slovak tax system seems to have improved. **No progress** on real-estate taxation. No measures have been taken to link real-estate taxation to the market value of underlying property.	**2.** Improve the efficiency of the **tax administration** by strengthening its audit, risk assessment and debt collection capacity. Link the basis for real-estate taxation to the market value of the property.
	3. Take measures to **enhance the capacity of public employment services** to provide personalised services to jobseekers and strengthen	**Limited Progress:** **Limited progress** on strengthening the capacity of	**3.** More effectively address **long-term unemployment** through activation measures, second-chance education and tailored quality

	the link between activation measures and social assistance. More effectively address **long-term unemployment** through activation measures and tailored training. Improve incentives for women employment, by enhancing 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.	public employment services and linking activation policies and social benefits. Despite legislative amendments, progress in strengthening the capacity of public employment services and the links between activation policies and social benefits remains limited and hampered by lack of resources. **Limited progress** on addressing long-term unemployment through activation measures and tailored training. While some measures have been taken to reform ALMP, there is still a lack of good quality training matching local labour market needs. **No progress** on ensuring provision of good quality childcare services. The government plans to increase public funds allocated to childcare in 2014, but there is no strategy or legislative and budgetary framework for the provision of childcare for children under three years of age. **Some progress** on reducing tax wedge for the low-paid: the long-term unemployed, which represent around 70% of the total unemployed, and their employers benefit from lower social contributions during the first year of employment.	training. Enhance the **capacity of public employment services** for case management, personalised counselling and activation of jobseekers, and strengthen the link between activation and social assistance. Effectively tackle youth unemployment by improving early intervention, in line with the objectives of a youth guarantee. Improve incentives for women's employment, by enhancing the provision of childcare facilities, in particular for children below three years of age.
	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.	**Limited Progress:** **Limited progress** on addressing high youth unemployment. Slovakia has submitted a Youth Guarantee Implementation Plan, but its feasibility depends on the allocation of sufficient resources. **Some progress** was achieved on attracting young people to the teaching profession. Teachers´ salaries were increased in 2014 and a bonus has been introduced for new teachers. **Limited progress** on raising educational outcomes. While some measures aimed at improving	**4.** Take measures to increase the quality of teaching in order to raise educational outcomes. Reinforce the provision of **work-based learning in companies** in vocational education and training. Adapt accreditation, funding and governance measures to encourage the creation of profession-oriented bachelor-level programmes. Improve the quality and relevance of the science base and implement plans to foster effective knowledge transfer and cooperation between academia, research and business. Adopt systemic measures to improve access to **high quality and inclusive pre-school and school education for marginalised communities,** including Roma and take steps to

		educational outcomes have been introduced, they lack focus. Adequate support to underperforming schools, teachers and pupils is still missing. **Limited progress** on reinforcing the provision of work-based learning. A reform of vocational education and training (VET) towards a dual system is on-going, with a new Act on VET announced for 2014. **Limited progress** on the creation of more job-oriented bachelor programmes. Work is on-going on a new Act on Higher Education, which aims to allocate funding according to more output-based criteria. **Limited progress** on the effective transfer of knowledge between academia, research and the business sector. The National Research and Innovation Strategy for Smart Specialisation, approved in 2013, seeks to encourage more effective cooperation between academia and businesses. **Limited progress** on improving access to high-quality and inclusive pre-school and school education. Compulsory enrolment in early childhood education and care for children from socially disadvantaged environment is currently being discussed.	increase their wider participation in vocational training and higher education.
	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 buildings and industry.	**Limited Progress:** **No progress** on improving energy market functioning. No measures have been taken to increase the transparency of the tariff-setting mechanism and enhance the accountability of the regulator. **Some progress** on strengthening interconnections	**5.** Step up efforts to make the **energy market function better,** in particular by increasing the public transparency of the regulatory framework and by exploring the determinants of the high electricity network charges, in particular for industrial consumers. Building on the progress made so far, further develop interconnections with neighbouring countries, including with Ukraine, in accordance with the Memorandum of

		with neighbouring countries. Several projects aimed at improving gas, oil, and electricity interconnections have been selected as projects of common interest and are currently being implemented. **<u>Some progress</u>** made on energy efficiency. A National plan for increasing energy efficiency in buildings has been developed and a more general package of energy efficiency measures is proposed for EU financing in the next programming period.	Understanding signed in April.
	6. Take measures, including by amending 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.	**Limited Progress:** **<u>Limited progress</u>** on strengthening the independence of the public service, improve the human resources management and strengthen the analytical capacities. A reform of state administration (ESO) is on-going but it does not include major changes concerning human resources management. Analytical units were created in some ministries but their influence on policy is limited. **<u>Limited progress</u>** on improving the absorption of EU funds. Procurement procedures, management verifications and project selection remain significant weaknesses. **<u>Limited progress</u>** on implementing measures to improve the efficiency of the judicial system and in promoting alternative dispute resolution procedures. A new act on arbitration is envisaged to come into force in 2014. A reform of the Code of Civil Procedure is on-going, although the actual Act is not expected before 2016.	**6.** Take measures, including by amending the Act on Civil Service, to increase **the independence of the public service.** Adopt a strategy to improve the management of human resources in public administration. Step up efforts to strengthen analytical capacity in key ministries with a view to adopting evidence-based policies, and improving the quality of policy impact assessment. Take steps to fight **corruption** and accelerate efforts to improve the efficiency and quality of the **judicial system**. Introduce measures to improve the business environment including for SMEs. Step up efforts to improve the efficiency of public procurement.

FI	**Country Specific Recommendations 2013** **SGP: CSR 1 and MIP: CSR 3, 4, 5**	**Assessment of implementation of CSR 2013** **(based on COM staff documents)**	**Country Specific Recommendations 2014** **SGP: CSR 1 and MIP: CSR 2, 4, 5**
	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.	**Substantial Progress:** **Some progress** has been made in preserving the sound fiscal position. After the risk of deviation from the MTO in 2014 was recognised, ambitious consolidation measures were decided for 2015. **Substantial progress** has been made in addressing the sustainability gap problems. Measures to adjust public revenue and expenditure and to increase the growth potential have been prepared, with the objective of closing the gap. **Substantial progress** has been made in putting a stronger focus on prevention, rehabilitation and independent living in long-term care, with the passing of a new Act on services for older people in July 2013.	**1.** Limit the emerging gap relative to the medium-term objective, ensure to return to it in 2015 and respect it thereafter as planned. Ensure that the **debt criterion** is fulfilled, while pursuing a growth-friendly **fiscal policy.** Implement rapidly the reforms set out in the structural policy programme and government spending limits and fiscal plan for 2015-2018 in order to reduce the fiscal sustainability gap and strengthen conditions for growth.
	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.	**Substantial Progress:** **Some progress** in the reform of municipal structure. Studies on the benefits of the mergers of municipalities are continuing as planned, but show a tendency to lag behind the initial objective. **Substantial progress** in the area of social and healthcare services, as all political parties have agreed on the main elements of the upcoming reform.	**2.** Ensure effective implementation of the ongoing **administrative reforms** concerning municipal structure and social and healthcare services, in order to increase the cost-effectiveness in the provision of public services.
	3. Take further steps to increase the **employment rate of older workers**, including by improving their employability and reducing early exit pathways, increasing the effective retirement age by aligning retirement age or pension benefits to changes in life expectancy. Implement and monitor	**Some Progress:** **Some progress** has been made as regards the pension reform (by agreeing the timetable and conducting important studies) and reducing early exit pathways to retirement. But pathways such as	**3.** Improve the use of the full labour force potential in the labour market, including by improving the **employment rate** and the **employability of older workers,** and increasing the effective retirement age, by reducing early exit pathways and aligning the retirement age or pension benefits to changes in

	closely the impact of on-going measures to improve **the labour-market position of young people** and the long-term unemployed, with a particular focus on the development of job-relevant skills.	the 'unemployment tunnel' remain. **Limited progress** on employability of older workers. **Substantial progress** on young people, including implementing a youth guarantee. **Some progress** on long-term unemployment with measures to reduce structural unemployment with active labour market policies (ALMPs) and more incentives to work.	life expectancy. Improve the **labour-market prospects of young people** and the long-term unemployed, with a particular focus on vocational education and targeted activation measures.
	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.	**Some Progress:** **Some progress** in addressing this CSR. Although steps have been taken to improve competition in the retail sector, issues remain with regard to large commercial establishments, due to planning law restrictions and market conditions. The healthy competition programme is not yet fully implemented.	**4.** Continue efforts to enhance **competition in product and service markets,** especially in the retail sector, by implementing the programme on promoting healthy competition, including amendments of the land use and building act to make it more supportive to healthy competition.
	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**; continue to improve the overall energy efficiency in the economy. 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.	**Some Progress**: **Some progress** in addressing the capacity to deliver innovative products and regarding the diversification of industry. Although these areas are outside the direct influence of the government, a considerable number of policy initiatives have been launched to promote growth and innovation, many of them as part of the government's 2013 structural policy programme. The government adopted a resolution on comprehensive reform of the research institutes and research funding. The new R&I guidelines are undergoing preparation and the recommendations of several evaluations (e.g. strategic centres of science, technology and innovation), Academy of Finland) are being implemented. Moreover, the government is reforming the funding model of both the	**5.** Continue to boost Finland's capacity to deliver innovative products, services and high-growth companies in a rapidly changing environment, and continue the **diversification of industry**, in particular by improving the business environment to strengthen investment in Finland and further facilitating smaller firms' entry into export markets. Step up the development of cross-border gas connection to Estonia.

		universities and polytechnics with specific attention to the utilisation of research. **Substantial progress** has been made in energy efficiency through policies supporting innovation and start-up companies. In 2013, Finland announced its national indicative energy target (Article 3 EED). A national Roadmap to 2050 is under preparation, along with a specific law to implement new energy efficiency obligations. **Substantial progress** has been made in supporting the alignment of real wage and productivity developments, as the social partners have agreed very limited wage growth in 2014-15, in line with the recommendation.	

SE	[Country Specific Recommendations 2013] **SGP: CSR 1 and MIP: CSR 2, 3**	[Assessment of implementation of CSR 2013] **(based on COM staff documents)**	[Country Specific Recommendations 2014] **SGP: CSR 1 and MIP: CSR 2, 3**
	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.	**Substantial Progress:** The general government budget had a deficit of 1.1% in 2013. Nevertheless, 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 still **likely to continue to meet its commitment** under the Stability and Growth Pact and the CSR. A **continued monitoring** of the soundness of public finances is needed, in particular as regards the long-term sustainability linked to expenditure for care services in an ageing society.	**1.** Continue to pursue a **growth-friendly fiscal policy** and preserve a sound fiscal position, ensuring that the medium-term budgetary objective is adhered to throughout the period covered by the Convergence Programme, also with a view to the challenges posed on the long-term sustainability of public finances by an ageing population.
	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.	**Limited Progress:** **No progress** in addressing the taxation part of CSR 2: Sweden has neither announced nor adopted any measures to address the tax deductibility of interest payments on mortgages or to reduce the recurrent property tax. **Limited progress** in addressing the prudent lending/mortgage amortisation part of CSR 2: Sweden has taken some action to foster prudent lending by introducing the 15% risk weight floor for mortgage exposures in May 2013, and by announcing a further increase to 25%. Nevertheless, amortisation practices remain relaxed with very long amortisation periods below 75% LTV rates and strong measures in this regard have not been taken. **Some progress** in addressing the corporate taxation debt bias part of CSR 2: Sweden has extended the	**2.** Moderate household sector credit growth and private indebtedness. To this end, reduce the effects of the debt bias in personal income taxation by gradually limiting tax deductibility of interest payments on **mortgages** and/or by increasing recurrent **property taxes.** Take further measures to increase the pace of amortisation of mortgages.

		restrictions on interest deductibility to all types of intra-group loans as of January 2013 and also introduced an investors' deductibility that could alleviate the debt bias in taxation. Nevertheless, it is too early to fully evaluate the effect of these measures.	
	3. Improve the efficiency of the **housing market** by continued reforms of the rent setting system 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.	**Limited Progress:** **<u>Limited progress</u>** in addressing the rental market part of CSR 3: Sweden has taken some measures to address the rental market, but these measures appear insufficient to address the underlying structural problem linked to the high degree of rigidity of the rent system. **<u>Some progress</u>** in addressing the construction sector part of CSR 3: Sweden has adopted measures to address the inefficiencies of the zoning and planning process, as well as municipalities' planning monopoly by requiring them to take a regional perspective when defining housing needs. These measures are promising, but not all of them have been implemented yet and it will remain vital to assess the implementation in practice, as no penalties are foreseen for failing municipalities. Further opening up municipalities' planning monopoly to other stakeholders, allowing for planning and zoning proposals from the private sector, could be a powerful way to shorten the process.	**3.** Further improve the efficiency of the **housing market** through continued reforms of the rent-setting system. In particular, allow more market-oriented rent levels by moving away from the utility value system and further liberalising certain segments of the rental market, and greater freedom of contract between individual tenants and landlords. Decrease the length and complexity of the planning and appeal processes, by reducing and merging administrative requirements, harmonising building requirements and standards across municipalities and increasing transparency for land allotment procedures. Encourage municipalities to make their own land available for new housing developments.
	4. Reinforce efforts to improve the **labour-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.	**Some Progress:** **<u>Some progress</u>** in addressing the labour market integration and education and training part of CSR 4: - Measures have been adopted to facilitate the transition from school to work (apprenticeships reform, including an ‘apprentice salary’) and help young people get work experience (vocational	**4.** Take appropriate measures to improve basic skills and facilitate the **transition from education to the labour market,** including through a wider use of work-based training and apprenticeships. Reinforce efforts to target labour market and education measures more effectively towards low-educated young people and people with a migrant background. Increase early intervention and outreach to young people who are unregistered with

	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.	introduction employment). - There has been a *de facto* strengthening of the job guarantee through the introduction of early measures for those assessed to be most in need, but the guarantee is still weak on coverage and on outreach towards non-registered NEETs - Sweden is also working to speed up the integration of migrants (work first principle, validation). - Since reforms came into effect in 2013 or will be implemented in 2014, it is too early to say whether they will have any significant effects on the target groups. **Some Progress:** A first, preliminary evaluation made by the National Institute of Economic Research suggests that 4 000 jobs may be attributed to the reduced VAT rate. Nevertheless, the cost-effectiveness of the measure still remains to be fully evaluated. A final evaluation is due in January 2016.	the public services.

UK	**Country Specific Recommendations 2014** **SGP: CSR 1 and MIP: CSR -**	**Assessment of implementation of CSR 2013** **(based on COM staff documents)**	**Country Specific Recommendations 2014** **SGP: CSR 1 and MIP: CSR 2, 3, 5, 6**
	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**.	**Limited Progress:** **Some progress** in implementing a reinforced budgetary strategy; **Some progress** in ensuring the correction of the excessive deficit; The deficit is continuing to fall and the fiscal consolidation plans are continuing but the EDP deadline will not be reached; **Some progress** in the implementation of structural reforms; According to the OBR, the UK's debt rate will peak in 2015-16 and decline thereafter; COM's forecast does not go beyond 2015-16. The government has proposed a permanent welfare cap to curtail spending; **Some progress** in growth-friendly approach to fiscal tightening; The government have shifted focus from current to capital spending; **No progress** in making greater use of the standard rate of VAT. The government has announced tax avoidance measures.	**1**. Reinforce the budgetary strategy, endeavouring to correct the excessive deficit in a sustainable manner in line with the Council recommendation under the **Excessive Deficit Procedure**. Pursue a differentiated, growth-friendly approach to fiscal tightening by prioritising capital expenditure. To assist with **fiscal consolidation**, consideration should be given to raising revenues through broadening the tax base. Address structural bottlenecks related to infrastructure, skills mismatches and access to finance for SMEs to boost growth in the export of both goods and services.
	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 and imprudent mortgage lending; and promote greater supply to avoid higher house prices. Pursue reforms including to land and property taxation to reduce distortions and promote timely residential construction. Take steps to improve the functioning of rental markets, in particular by making longer rental terms more	**Limited Progress:** **Some progress** in increasing housing supply – completions have increased and policies introduced to fine-tune the planning system but more time is needed for them to take full effect; **Some progress** in relation to policies that constrain excessive demand – the FLS was removed for lending to households and safeguards built into the Help to Buy 2 policy but the thrust of the policy is unchanged;	**2.** Increase the transparency of the use and impact of macro-prudential regulation in respect of the **housing sector** by the Bank of England's Financial Policy Committee. Deploy appropriate measures to respond to the rapid increases in property prices in areas that account for a substantial share of economic growth in the United Kingdom, particularly London, and mitigate risks related to high mortgage indebtedness. Monitor the Help to Buy 2 scheme and adjust it if deemed necessary. Consider reforms to the taxation of land and property including measures on the revaluation of

	attractive to both tenants and landlords.	**Limited progress** in reforming land and property taxation; **Limited progress** in affecting the operation of rental markets and longer-term tenancies.	property to alleviate distortions in the housing market. Continue efforts to increase the supply of housing.
	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.	**Some Progress:** **Some progress** on apprenticeships, simplifying the qualifications and engaging employers. Provided effective implementation, a number of measures taken may increase the impact of the Youth Contract on the labour market; **Some progress** in the implementation of the traineeship program; however, it is too early to assess its impact.	**3.** Maintain commitment to the **Youth Contract,** especially by improving skills that meet employer needs. Ensure employer engagement by placing emphasis on addressing skills mismatches through more advanced and higher level skills provision and furthering apprenticeship offers. Reduce the number of young people with low basic skills.
	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.	**Some Progress:** **Some progress** in supporting low-income households, reducing child poverty and the introduction of Universal Credit. The number of people in sustainable job as a result of the Work Programme is still low. Poverty, particularly in work-poverty is likely to increase; **Some progress** in supporting childcare, which still remains expensive (particularly full-time) and of variable quality. There is a need to continue implementation of planned measures to improve the quality and availability of childcare as well as its affordability.	**4.** Continue efforts to reduce child poverty in **low-income** households, by ensuring that the Universal Credit and other welfare reforms deliver adequate benefits with clear work incentives and support services. Improve the availability of affordable quality childcare.
	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	**Substantial Progress:** **Substantial progress** in facilitating an improved supply of finance to the corporate sector through the establishment of the Business Bank, and fine-tuning the FLS, although bank credit continues to decline;	**5.** Continue efforts to **improve the availability of bank and non-bank financing to SMEs**. Ensure the effective functioning of the Business Bank and support an increased presence of challenger banks.

	assets. Effectively implement the **Financial Policy Committee's recommendations** on prudent assessment of bank capital requirements and on addressing identified capital shortfalls.	**Substantial progress** in relation to boosting competition in the banking sector – TSB was set up as a new bank (although not yet fully independent) through divestiture of bank assets from Lloyds and reforms have been made to reduce switching costs. However, there is not a significant presence of challenger banks; Implementation of the Financial Policy Committee's recommendations has **been fully addressed**.	
	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.	**Some Progress:** **Some progress** in strengthening the planning framework – although the measures have been announced they have yet to be implemented; **Some progress** in relation to regulatory stability for energy capacity – the Energy Act 2013 received royal assent – and detailed funding streams and proposals have been set out in the National Infrastructure Plan although implementation is partial to date; **Some progress** in relation to the quality and quantity of transport networks – a major new rail network (Crossrail) is underway and the National Infrastructure Plan sets out considerable detail on funding new projects although implementation is partial to date.	**6.** Follow up on the **National Infrastructure Plan** by increasing the predictability of the planning processes as well as providing clarity on funding commitments. Ensure transparency and accountability by providing consistent and timely information on the implementation of the Plan.

Euro Area	Council Recommendations 2013	Assessment of implementation of CSR 2013 (based on COM staff documents)	Council Recommendations 2014
	1. Take responsibility for the aggregate policy stance in the euro area in order to **ensure the good functioning of the euro area** to increase growth and employment, and to take forward the work on deepening Economic and Monetary Union. 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, and in the preparation of the Euro Summits.		**4.** Take forward work on **deepening Economic and Monetary Union** and contribute to the improvement of the economic surveillance framework in the context of the reviews foreseen for end 2014.
	2. Ensure that the Eurogroup monitors and coordinates **fiscal policies of the euro area** Member States and the 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 in line with the Stability and Growth Pact, 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		**2.** Coordinate **fiscal policies of the euro area** Member States, in close cooperation with the Commission, in particular when assessing **draft budgetary plans to ensure a coherent and growth-friendly fiscal stance across the euro area.** Improve the quality and sustainability of public finances by prioritising material and **immaterial investment at national and EU levels**. Ensure that national fiscal frameworks, including national fiscal councils, are strong.

	and revenue and by appropriate structural reforms which enhance the economic growth potential.		
	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 the **fragmentation of the financial markets** in the euro area and contribute to ways to overcome it.		**3.** Ensure the resilience of the banking system, in particular by taking the necessary action in the follow up of the asset quality review and the stress tests, and by implementing the **Banking Union** regulations and taking forward the further work foreseen in the SRM transition period. Stimulate private sector investment and increase the flow of credit to the economy via **actions to improve access to credit by SMEs,** deepening of capital markets, restarting the securitisation market, based on the proposals and the calendar in the Commission Communication on long-term financing of the European economy.
	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) ensure the availability of **credible fiscal backstops** in the context of balance sheet assessments and stress tests; (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**, as outlined by the European Council.		
	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 a correction of external and internal imbalances, inter alia by following thoroughly the reforms that address distortions to saving and investment behaviour in		**1.** Promote and monitor, in close cooperation with the Commission, the implementation of structural reforms in those areas most relevant for the smooth functioning of the euro area in order to foster growth and convergence and adjustment of internal and external imbalances. Assess and stimulate progress in delivering on reform commitments in euro area Member States experiencing excessive imbalances and in reform implementation in the euro area Member States with imbalances requiring decisive action, to limit negative **spillovers** to the

	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.		rest of the euro area. Foster appropriate policies in countries with large current account surpluses to contribute to positive spillovers. Regularly hold thematic discussions on structural reforms in the labour and product markets with potentially large spillovers, focussing on reducing the high tax wedge on labour and reforming services markets.
	6. In line with the **AGS 2013**, it is crucial for the euro area member states to take collective and significant measures in order to tackle the **social consequences** of the crisis and the rising unemployment levels. The situation of **unemployed young people** is particularly worrying and bold action is recommended along the lines of the **Compact for Growth and jobs** and the **EU Youth Guarantee**. Further reforms to facilitate access to employment, prevent early withdrawals from the labour market, reduce the cost of labour, combat labour market segmentation and support innovation are recommended.		

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