

IN-DEPTH ANALYSIS

Economic Dialogue with the Commission on 2016 Draft Budgetary Plans

ECON on 15 December 2015

Vice-president Dombrovskis and Commissioner Moscovici have been invited to an [Economic Dialogue](#) on the European Commission opinions on the 2016 Draft Budgetary Plans of the Euro Area Member States based on Articles 7 and 15 of EU Regulation 473/2013.

Euro Area Member States which are not subject to a macro-economic adjustment programme shall submit annually their **Draft Budgetary Plan** (DBP) for the forthcoming year to the European Commission (EC) and the Eurogroup by 15 October. Out of 17 concerned Euro Area Member States, all have [submitted their 2016 DBPs](#) within the deadline, except PT¹.

An [EGOV comparison](#) of key features included in the DBPs and in the autumn 2015 EC forecasts shows that while all Member States under Excessive Deficit Procedure (EDP) have overall more optimistic forecasts than the EC, several countries (DE, EE; LT and FI) in the preventive arm of the SGP have more pessimistic forecasts than the EC.²

The EC **opinions on the 2016 DPBs** were issued on 16 November. The **Eurogroup** discussed them [on 23 November 2015](#). According to its President, the discussion [focused on the four countries which are at risk of non-compliance](#): AT, IT and LT in the preventive arm and ES in the corrective arm of the Stability and Growth Pact (SGP). The [Eurogroup](#) welcomed the commitment of AT, IT and LT to ensure compliance with the rules. It also looked forward to the submission of an updated DBP for Spain and was reassured that PT would submit its DBP as soon as possible. It also took note of the ECs assessment that the broadly neutral fiscal stance at euro area level is appropriate considering the still timid economic recovery. It furthermore stressed the importance of using the current low interest rate environment prudently, and enhancing the quality

The Autumn Budgetary Surveillance

The objective of submitting DBPs to the EC and the Eurogroup is to enable an **enhanced monitoring of national budgetary policies** in the euro area and ensure that the national budgets are consistent with the economic policy guidance issued in the context of the Stability and Growth Pact (SGP) and the European Semester for economic policy coordination.

This autumn surveillance of the DBPs is **complementary and linked** to other EU economic governance procedures i.e. (1) the EC should consider in its DBP-opinions the extent to which Member States have implemented the [Country-Specific Recommendations](#) (CSRs) and in particular their compliance with [Medium-Term Objectives \(MTO\)](#) or the adjustment path towards the MTO; (2) for Member States subject to the [Excessive Deficit Procedure \(EDP\)](#), compliance with the EDP recommendation should be a central aspect of the EC opinions on the DBPs. Therefore, the autumn surveillance can lead to EC proposals for the opening of an EDP or a revised EDP recommendation under the SGP.

See **separate EGOV note** on "[The autumn surveillance of Euro Area draft budgets](#)".

¹ While Portugal did not submit because of the recent elections of the Portuguese government, the Portuguese government was not exempted from a submission of its DBP and the [President of the Eurogroup](#) therefore stated on 23 November that Portugal did not follow the rules in this context.

² It can be noted in this respect that most Member States indicate in their respective DBP that their forecasts have been prepared/assessed in an independent manner (see separate [EGOV overview](#))

of public finances by prioritising growth-enhancing measures. Finally, the Eurogroup agreed with the EC that the SGP rules provide for sufficient flexibility to address the budgetary implications of the country-specific developments such as the refugee inflow in certain Member States. In that context, it noted that Austria, Belgium, Finland, Germany and Italy have submitted information on the costs associated with refugee inflows.

It can be noted that the EC attributes in its opinions on the 2016 DBPs linked to the preventive arm of the SGP a higher importance than in the previous years to the fulfilment of the so-called “expenditure benchmark”; thanks to the fulfilment of this benchmark, some countries (e.g. the Netherlands) are now considered to be compliant with the SGP even though they are not assessed to fulfil the fiscal effort required (based on the evolution of the structural balance) included in the latest Council recommendations for the respective Member State (see Annex of this briefing).

Furthermore, the EC welcomed in its Communication on the [overall assessment of DBPs](#) that a number of 2016 DBPs (notably of AT, BE and FR) demonstrate ambitious reforms to address their high tax burden on labour.

Assessment of the euro area as a whole

In line with Article 7(4) of Regulation [No 473/2013](#), the Commission presented its [assessment](#) of the overall budgetary situation and fiscal stance in the euro area as a whole, on the basis of the national budgetary prospects, relying on the Commission [autumn 2015 forecast](#). According to this assessment, the **aggregate budget deficit** (for EA-16) is set to further decline from 2.4% in 2014 to 1.9% in 2015 and 1.7% in 2016. However, the projected deficit reduction falls short of the aggregated target derived from the spring 2015 Stability Programmes. As to the **aggregate debt-to-GDP ratio**, it is expected to slightly decrease from its 2014 peak of 92% to 91% in 2015 and 89% in 2016, reflecting predominantly the impact of nominal GDP growth and stock-flow adjustment. These aggregate figures mask however substantial variability across individual Member States.

The overall fiscal policy stance, as measured by the change in the aggregate structural balance, appears to be **broadly neutral following the halt in fiscal consolidation in both 2015 and 2016** (i.e. the euro area aggregated structural balance is projected to slightly deteriorate over the forecast horizon). In the current context of low interest rates and high external surplus of the euro area, this largely neutral fiscal stance is considered to strike broadly appropriate balance between two conflicting objectives: long-term sustainability of public finances, on the one hand, and short-term macroeconomic stabilisation, on the other hand. At the same time, the Commission points out that high and only slowly declining debt ratio implies the need to resume consolidation once the recovery takes hold. Temporary savings from low interest rates on public debt should be reflected in lower deficits in countries with sizeable budgetary imbalances and allow for a larger increase in public investment in countries with fiscal space.

Assessment of individual 2016 DBPs

As regards the EC's [assessment of individual Member States](#), similarly to last year, no DBP was considered to be at risk of particularly severe non-compliance with the SGP provisions. Nevertheless, some fiscal consolidation plans were found falling short (or at a risk of doing so) of the requirements specified under the SGP:

- *The DBPs of 5 countries (DE, EE, LU, NL, SK) are assessed to be compliant with the SGP; they are all in the preventive arm of the SGP. Last year, the DBPs of 4 countries (DE, IE, LU, NL and SK) were compliant.*
- *The DBPs of 7 countries are assessed to be broadly compliant with the SGP (IE, FR and SI in the corrective arm and BE, LV, MT and FI in the preventive arm of the SGP). Last year the DBPs of 4 countries were found to be broadly compliant with SGP (EE, LV, SI and FI).*
- *The DBPs of 4 countries (ES in the corrective arm and IT, LT and AT in the preventive arm) are judged to be at risk of non-compliance. Last year the DBPs of 7 countries were found to be at risk non-compliance with SGP provisions (BE, ES, FR, IT, MT, AT and PT).*

The above listing shows that compliance has increased compared to last year and that the risk of non-compliance has decreased, according to the EC opinions.

According to the EC Communication on flexibility in the SGP, structural reforms with an impact on (potential) growth may – under certain conditions – be taken into account in the preventive and corrective arms of the Pact, the scope of the “structural reform clause” has been widened by the EC Communication (see annexes of separate EGOV note “[Overview of the SGP](#)”).

Annex: Overview of the 2016 EC opinions on the DBPs.

Annex: Overview of the EC's opinions on 2016 DBPs

The table overleaf summarises the [European Commission's \(EC\) opinions on the 2016 Draft Budgetary Plans](#) (DBPs), in particular, as regard compliance with current Council recommendations under the Stability and Growth Pact (SGP). Please note that the current Council recommendations under the SGP are available in a separate EGOV briefing "[Implementation of the SGP](#)".

The colour codes in the table refer to the overall assessment by the EC of compliance with the provisions of the SGP: "**green**" ("compliant"), "**yellow**" ("broadly compliant") and "**red**" (at risk of non-compliance).

According to the categories used by [EC](#) of "*Risk of non-compliance*" means

- Under the Excessive Deficit Procedure (EDP): The EC forecast, if confirmed *ex post*, could lead to the stepping up of the EDP as the fiscal effort is not projected to be delivered and the nominal target of below 3 % is expected to be missed.
- Under the preventive arm of SGP: The EC forecast projects a significant deviation from the required adjustment path towards the MTO in 2016 and/or non-compliance with the debt reduction benchmark, if applicable.

In addition to the opinions on the DBPs EC has published related [Staff Working Documents](#), which include more details as regards the methodology used.

In June 2014, the Council endorsed "[terms of reference](#)" following a review of the methodology used for assessing "**effective action**" taken by Member States in response to Council recommendations. To this end, all relevant data used by the EC, including data on the yields of discretionary fiscal measures, will be shared with the Member States in a timely manner, enabling them to replicate the calculation underlying the EC's assessments and recommendations. Furthermore, the "terms of reference" specify in detail the "**top down**" and "**bottom up**" approaches used in the assessment of effective action by the EC.

Portugal has not (yet) submitted a DBP for 2016, which is not in line with the rules, but explained by the elections and the formation of a new government.

TABLE: Overview of the 2016 EC opinions on DBPs

		<i>Detailed assessment as regards compliance with current Council SGP-recommendations:</i>	
<i>Overall compliance with current Council recommendations under SGP (colour code defined above)</i>		<ul style="list-style-type: none"> - Member States subject to EDP: compliance with nominal target and/or fiscal effort as requested by Council EDP- recommendations - Member States subject to the preventive arm: compliance with MTO or adjustment path towards MTO as requested by the relevant Council CSR-recommendation 	
<i>Overall compliance with current fiscal related Council Country Specific Recommendations (CSRs)</i>		2015	2016
Euro area Member States subject to an Excessive Deficit Procedure (EDP)			
<u>Ireland</u>	<p><i>"Overall, the Commission is of the opinion that the Draft Budgetary Plan of Ireland, which is currently under the corrective arm and could become subject to the preventive arm from 2016 in case a timely and a sustainable correction of the excessive deficit is achieved, is broadly compliant with the provisions of the Stability and Growth Pact". (p. 4)</i></p>	<p><u>Nominal target:</u> <i>"for 2015, the Draft Budgetary Plan projects a headline deficit of 2.1% of GDP, well below the 3%-of-GDP reference value of the Treaty. Similarly, the Commission forecast expects Ireland to bring its headline deficit to 2.2% of GDP in 2015, the deadline for correcting the excessive deficit" (p. 3).</i></p> <p><u>Top down assessment:</u> <i>"According to the Commission 2015 autumn forecast, both the unadjusted and the adjusted improvement in the structural budget balance in 2011-2015, i.e. the EDP period, fall short of the recommended cumulative improvement of 9½% of GDP". (p. 4)</i></p>	<p><u>Nominal target:</u> <i>"The Draft Budgetary Plan forecasts the 2016 general government deficit at 1.2% of GDP" (p. 3); "The Commission forecast projects a government deficit of [...] 1.5% of GDP [...] 2016 [...]. In 2016, the difference compared to the deficit target of the Draft Budgetary Plan is chiefly due to a more conservative assumption on relatively tax-rich private consumption and a somewhat more dynamic forecast of government expenditure motivated by recurring overspending especially towards year end, compared to government plans, in the past several years". (p. 3)</i></p> <p><u>Top down assessment:</u> <i>"The recalculated improvement of the structural balance in 2016 in the Draft Budgetary Plan exceeds the 0.6% of GDP required to ensure sufficient progress towards the medium-term budgetary objective (MTO) [...] Based on the Commission 2015 autumn forecast, the estimated improvement of the structural balance in 2016 also exceeds the required 0.6% of GDP". (p. 4)</i></p> <p><u>Bottom up assessment:</u> n. a.</p>
	<p><i>"The Commission is also of the opinion that Ireland has made some progress with regard to the Country Specific Recommendations issued by the Council in the context of the 2015 European Semester relating to fiscal governance and invites the authorities to make further progress". (p. 5)</i></p>	<p><u>Bottom up assessment:</u> <i>"Moreover, the estimated yield of the permanent consolidation measures is also below the recommended cumulative adjustment". (p. 4)</i></p>	

"Overall, the Commission is of the opinion that the Draft Budgetary Plan of Spain, which is currently under the corrective arm, is **at risk of non-compliance with the provisions of the Stability and Growth Pact**". (p. 5).

"In light of the compliance risks highlighted above and the fact that the Draft Budgetary Plan does not include up-to-date and fully specified measures for regional governments, **the national authorities are invited to submit an updated Draft Budgetary Plan** including fully specified regional measures, as soon as possible. The new plan should take into account the present Opinion in order to fully comply with the Stability and Growth Pact". (p. 6)

"The Commission is also of the opinion that Spain has made **some progress towards compliance with regard to the country-specific recommendations** issued by the Council in the context of the 2015 European Semester relating to fiscal governance and invites the authorities to make further progress". (pp. 5-6)

Nominal target: "**The Draft Budgetary Plan expects the 2015 general government deficit to decline** from 5.8% of GDP in 2014 (including bank support of 0.1% of GDP) **to 4.2% of GDP in 2015** in line with the recommended EDP targets. [...] **The ad-hoc Commission forecast foresees a deficit of 4.5% of GDP in 2015, 0.3 pp. higher than in the Draft Budgetary Plan**". (p. 3)

Top down assessment: "**The 2013 EDP recommendation requires Spain to achieve an improvement in the structural balance of 0.8 pp. of GDP in 2015. However, the Draft Budgetary Plan foresees an improvement of 0.2 pp. of the (recalculated) structural balance, whereas the ad-hoc Commission forecast points to deterioration by 0.5 pp., notably due to the significant different appraisal of one-off operations in line with the Commission classification. When correcting the change in the structural balance for revisions in the potential output growth and unexpected revenue windfalls/shortfalls, the gap widens further to 1½ pps. compared to the recommended effort**". (p. 4)

Bottom up assessment: "**Based on a bottom-up assessment, the additional net consolidation measures fall short by 1.4 pps. of what was deemed necessary to reach the structural targets** spelled out in the 2013 EDP recommendation for 2015". (p. 4)

Nominal target: "**For 2016, the Draft Budgetary Plan targets a general government deficit of 2.8% of GDP, also in line with the recommended EDP target. [...] Regarding 2016, the ad-hoc Commission forecasts a deficit of 3.5% of GDP, 0.7 pp. higher than the target in the Draft Budgetary Plan, and 0.5% of GDP above the 3% of GDP reference value**". (p. 3)

Top down assessment: "**Regarding 2016, the (recalculated) change in the structural balance for 2016 (0% of GDP) in the Draft Budgetary Plan is significantly below the 1.2% of GDP effort recommended by the Council. In turn, the ad-hoc Commission forecast projects the structural deficit to deteriorate by 0.2% of GDP. The projected structural balance corrected for the change in the estimated potential growth and for revenue windfalls/shortfalls unexpected at the time of the 2013 EDP recommendation points in the same direction. On a cumulative basis over 2013-2016, the shortfall with respect to the effort that was recommended by the Council amounts to 3.1 pps. when measured against the uncorrected change in the structural balance, and to 4.4 pps. when referring to the corrected indicator**". (pp. 4-5)

Bottom up assessment: "**the bottom-up estimate of the fiscal effort in 2016 is negative (-0.2% of GDP), thus below the 1.5% of GDP of additional measures deemed necessary in 2016 in the 2013 EDP recommendation to reach the recommended structural target, leading to a shortfall of 3.8 pps. in cumulative terms over 2013-2016**". (p. 5)

<u>France</u>	<p>"Overall, the Commission is of the opinion that the Draft Budgetary Plan of France, which is currently under the corrective arm, is broadly compliant based on the headline deficit target although the fiscal effort is projected to fall significantly short of the recommended level, according to all metrics". (p. 5)</p>	<p><u>Nominal deficit:</u> "[...] the Draft Budgetary Plan projects that the deficit will decrease to 3.8% of GDP in 2015 [...] The Commission 2015 autumn forecast projects a deficit of 3.8% of GDP for 2015, in line with the Draft Budgetary Plan and the Stability Programme". (p. 3)</p> <p><u>Top down assessment:</u> "The structural balance is expected to improve by 0.1% of GDP in 2015, falling short of the recommended effort of 0.5%. Also the change in the adjusted structural balance, which takes into account windfall revenues and changes in potential output growth, is projected to fall short of the recommended level by 0.3% of GDP". (p. 4)</p> <p><u>Bottom up assessment:</u> "Similarly, the fiscal effort assessed on the basis of the bottom-up method is estimated to fall short of the recommended level by 0.4% of GDP in 2015". (p. 4)</p>	<p><u>Nominal target:</u> "[...] the Draft Budgetary Plan projects that the deficit will decrease to [...] 3.3% in 2016 [...] The Commission 2015 autumn forecast projects [...] for 2016, a deficit of 3.4% of GDP [...] the difference with the Draft Budgetary Plan and the Stability Programme (0.1% of GDP) is mainly due to differences in the discretionary measures that have been taken into account in the Commission forecast". (p. 3)</p> <p><u>Top down assessment:</u> "In 2016 [...] The structural balance is expected to improve by 0.3%, falling short of the recommended effort of 0.8%. Concerning the change in the adjusted structural balance, the gap vis-à-vis the recommended fiscal effort is expected to widen to 0.6% of GDP in 2016". (p. 4)</p> <p><u>Bottom up assessment:</u> "Based on the bottom-up method, the fiscal effort is forecast to be missed by 0.5% of GDP in 2016". (p. 4)</p>
	<p>"The Commission is also of the opinion that France has made some progress with regard to the country-specific recommendations issued by the Council in the context of the 2015 European Semester relating to fiscal governance and invites the authorities to make further progress". (p. 5)</p>		
<u>Slovenia</u>	<p>"Overall, the Commission is of the opinion that the Draft Budgetary Plan of Slovenia which is currently under the corrective arm and could become subject to the preventive arm from 2016 in case a timely and sustainable correction of the excessive deficit is achieved, is broadly compliant with the provisions of the Stability and Growth Pact. In particular, there is a risk of some, but close to significant, deviation from the adjustment path towards the MTO in 2016. ". (p. 4)</p>	<p><u>Nominal target:</u> "The general government deficit targets in the Draft Budgetary Plan amount to 2.9% of GDP in 2015 [...] The Commission 2015 autumn forecast projects the general government deficit for 2015 to be in line with the Draft Budgetary Plan forecast, at 2.9% of GDP". (p. 3)</p> <p><u>Top down assessment:</u> "However, the cumulated change in the structural balance over 2013-2015 is -0.6% of GDP, well below the recommended 1.7% of GDP. The cumulated change in the adjusted structural balance is -0.8% of GDP." (p. 4)</p>	<p><u>Nominal target:</u> "The general government deficit targets in the Draft Budgetary Plan amount to [...] 2.2% of GDP in 2016. [...] The Commission 2015 autumn forecast projects the general government deficit for [...] 2016 [...] at 2.4% of GDP, 0.2% of GDP higher than in the Draft Budgetary Plan, reflecting slightly lower estimates for tax revenues given the less optimistic macroeconomic forecast for domestic demand and higher EU budget contributions". (p. 3)</p> <p><u>Top down assessment:</u> "The recalculated structural effort planned in the Draft Budgetary Plan points to a</p>

	<p>"The Commission is also of the opinion that Slovenia has made some progress with regard to the country-specific recommendations issued by the Council in the context of the 2015 European Semester relating to fiscal governance and invites the authorities to make further progress". (p. 4-5)</p>	<p><u>Bottom up assessment:</u> "Based on a bottom-up assessment, the cumulated fiscal effort over 2013-2015 is estimated at 2% of GDP, also well below the recommended 4% of GDP". (p. 4)</p>	<p><i>deviation of 0.2% from the required adjustment of 0.6% of GDP [...]. The Commission 2015 autumn forecast indicates a deviation of 0.4% of GDP from the recommended structural adjustment based on the structural balance pillar [...]</i>". (p. 4)</p> <p><u>Bottom up assessment:</u> n.a.</p>
Euro area Member States not subject to an EDP			
<u>Belgium</u>	<p>"Overall, the Commission is of the opinion that the Draft Budgetary Plan of Belgium, which is currently under the preventive arm and subject to the transitional debt rule, is broadly compliant with the provisions of the Stability and Growth Pact". (p. 5)</p>	<p>"In 2015, Belgium plans a (recalculated) structural adjustment of 0.6% of GDP, in line with the required adjustment towards the MTO. However, this would result in an average deviation of 0.3% of GDP over 2014-2015 taken together, pointing to a significant deviation over this period [...]</p> <p>On the basis of the Commission 2015 autumn forecast, the structural balance is projected to improve by 0.4% of GDP in 2015, pointing to a risk of some deviation from the required adjustment in 2015 and a risk of significant deviation over 2014 and 2015 together (average gap of -0.4% of GDP), especially due to the large gap in 2014". (p. 4-5)</p> <p>"Hence, on the basis of the forecast, the overall assessment points to a risk of some deviation from the adjustment path towards the MTO in 2015". (p. 5)</p>	<p>"In 2016, Belgium targets a (recalculated) structural adjustment of 0.8% of GDP [...] Plans are thus compliant with the required adjustment path towards the MTO in 2016. In contrast, on the basis of the Commission 2015 autumn forecast, the projected structural improvement of 0.4% of GDP falls 0.2% of GDP short of the required adjustment of 0.6% of GDP, pointing to a risk of some deviation". (p. 5)</p> <p>"Therefore, the overall assessment points to a risk of some deviation from the adjustment path towards the MTO in 2016". (p. 5)</p>
	<p>"The Commission is also of the opinion that Belgium has made some progress with regard to the country-specific recommendations issued by the Council in the context of the 2015 European Semester relating to fiscal governance (including the pension system, the fiscal framework and the tax system) and invites the authorities to make further progress". (p. 5)</p>		
<u>Germany</u>	<p>"Overall, the Commission is of the opinion that the Draft Budgetary Plan of Germany, which is currently under the preventive arm of the Stability and Growth Pact and subject to the debt rule, is compliant with the provisions of the Stability and Growth Pact. Germany's favourable budgetary situation should</p>	<p>"According to the information provided in the Draft Budgetary Plan, with a (recalculated) structural surplus of 1.0% and 0.1% of GDP, respectively, Germany is expected to remain well above its medium-term objective also in 2015 and 2016 and therefore compliant with the requirements under the preventive arm of the Stability and Growth Pact. This is confirmed by the Commission</p>	See the previous column.

	<p>also provide scope to further increase public investment in infrastructure, education and research [...] as well as to cover additional expenditure that may result from the strong inflow of asylum seekers but could not yet be fully factored into the budget plans". (p. 4)</p>	<p>2015 autumn forecast". (p. 4)</p>	
	<p>"The Commission is also of the opinion that Germany has made limited progress with regard to the country-specific recommendations issued by the Council in the context of the 2015 European Semester relating to fiscal governance and thus invites the authorities to accelerate progress". (p. 5)</p>		
<u>Estonia</u>	<p>"Overall, the Commission is of the opinion that the Draft Budgetary Plan of Estonia, which is currently under the preventive arm, is compliant with the provisions of the Stability and Growth Pact". (p. 4)</p>	<p>"According to the information provided in the Draft Budgetary Plan, with a structural surplus of 0.3% in 2015 and 0.0% of GDP in 2016, Estonia is expected to continue be above its MTO also in those years, which is confirmed by the Commission 2015 autumn forecast". (p. 3)</p>	<p>See the previous column.</p>
<p>"The Draft Budgetary Plan also lists a number of measures that respond to the structural country-specific recommendations issued by the Council in the context of the 2015 European Semester. The bulk of the measures aim at strengthening labour supply by lowering the labour tax burden, Work Ability Reform, as well as strengthening active labour market policies, childcare policies and vocational training". (p. 3)</p>			

<p style="text-align: center;"><u>Italy</u></p>	<p>"Overall, the Commission is of the opinion that the Draft Budgetary Plan of Italy, which is currently under the preventive arm and subject to the transitional debt rule, is at risk of non-compliance with the provisions of the Stability and Growth Pact. In particular, according to the Commission 2015 autumn forecast there is a risk of significant deviation from the required adjustment path towards the MTO in 2016". (p. 5)</p>	<p>"In 2015, Italy has to achieve a structural adjustment of 0.25% of GDP towards its MTO. The planned (recalculated) structural effort of 0.2% of GDP, points to some deviation. [...] Overall, Italy plans some deviation from the required adjustment towards the MTO in 2015. This conclusion is confirmed based on the Commission 2015 autumn forecast [...]." (p. 4)</p>	<p>"The Draft Budgetary Plan envisages a (recalculated) structural deterioration of 0.5% of GDP in 2016 which compared to the improvement of 0.1% of GDP required in the country-specific recommendation, points to a risk of significant deviation from the adjustment path towards the MTO. [...] The Commission forecast envisages a structural deterioration of the same magnitude". (p. 5)</p>
	<p>"The Commission is also of the opinion that Italy has made some progress with regard to the country-specific recommendations issued by the Council in the context of the 2015 European Semester relating to fiscal governance and thus invites the authorities to make further progress". (p. 5-6)</p>		
<p style="text-align: center;"><u>Latvia</u></p>	<p>"Overall, the Commission is of the opinion that the Draft Budgetary Plan of Latvia, which is currently under the preventive arm, is broadly compliant with the provisions of the Stability and Growth Pact". (p. 4)</p>	<p>"In 2015, the Draft Budgetary Plan is assessed to be compliant with the requirements based on both the structural balance and the expenditure benchmark pillar. The compliance is also confirmed based on the Commission 2015 autumn forecast, as the structural deterioration by 0.3% of GDP is within the allowed deterioration by 0.4% of GDP accounting for the pension reform clause". (p. 3)</p>	<p>"For 2016, the improvement in the recalculated structural balance by 0.3% of GDP based on the Draft Budgetary Plan is in line with the required adjustment of 0.3% of GDP, which allows for the pension reform clause". (p. 3)</p>
	<p>"The Draft Budgetary Plan has responded to the country-specific recommendations regarding the tax burden on labour with the following measures: (i) an increase in monthly basic allowance from EUR 75 to EUR 85 and (ii) the introduction of the progressive differentiation of basic allowance from 2016, reducing the tax wedge on low-wage earners, while (iii) the new solidarity tax for wages exceeding EUR 4050 per month increases the tax wedge for high-wage earners in line with that for other wage earners. However, shifting the tax burden from labour to other tax sources has seen little progress, as the</p>		

	<p>indirect tax changes yield a small share of total revenue effort. Performance across other reform areas is mixed. Some progress in education and judiciary reforms and limited progress in social, healthcare and public service reform areas". (pp. 3-4)</p>		
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Lithuania</p>	<p>"Overall, the Commission is of the opinion that the Draft Budgetary Plan of Lithuania, which is currently under the preventive arm, is at risk of non-compliance with the provisions of the Stability and Growth Pact. According to the Commission 2015 autumn forecast, the required adjustment towards the MTO is not projected to be delivered and a significant deviation from the MTO is to be expected in 2016. The Commission therefore invites the authorities to take the necessary measures within the national budgetary process to ensure that the 2016 budget will be compliant with the Stability and Growth Pact". (pp. 4-5)</p>	<p>"The (recalculated) structural balance of the Draft Budgetary Plan is expected to improve by 0.1% of GDP in 2015, slightly below the required improvement of 0.2% of GDP. [...] In the Commission 2015 autumn forecast, the structural balance is projected to improve by 0.2% of GDP, in line with the required adjustment, reaching – a structural deficit of 1.2% of GDP. As a result, Lithuania is assessed to be at its MTO (set at -1% of GDP) due to the 0.25% GDP margin of tolerance. [...] Lithuania is thus considered to be compliant with the requirements in 2015". (pp. 3-4)</p>	<p>"In 2016, the (recalculated) structural deficit of the Draft Budgetary Plan points to a risk of a significant deviation (gap of 0.6% of GDP) from the required adjustment of 0.1% of GDP. [...] According to the Commission 2015 autumn forecast, the structural balance is set to deteriorate by 0.2% of GDP, pointing to a risk of some deviation (gap of 0.3% of GDP). The expenditure benchmark points to a risk of a significant deviation in 2016 (gap of 1.2% of GDP). This warrants an overall assessment. First, the structural balance is positively affected by revenue windfalls (whereas shortfalls are expected in the Draft Budgetary Plan as the plan forecasts a larger positive output gap for 2016). Correcting for these windfalls, the projected deviation based on the structural balance pillar would become significant. Second, while the deviation from the expenditure benchmark is partly the result of deficit-increasing one-offs and fluctuations in public investment, it would remain significant when corrected for these elements. Therefore, the overall assessment points to a risk of significant deviation from the MTO in 2016". (p. 4)</p>
	<p>"The Commission is also of the opinion that Lithuania has made limited progress with regard to the country-specific recommendations issued by the Council in the context of the 2015 European Semester relating to fiscal governance and thus invites the authorities to accelerate progress". (p. 5)</p>		

<u>Luxembourg</u>	<p>"Overall, the Commission is of the opinion that the Draft Budgetary Plan of Luxembourg, which is currently under the preventive arm, is compliant with the provisions of the Stability and Growth Pact". (p. 4)</p>	<p>"According to the information provided in the Draft Budgetary Plan, with a (recalculated) structural surplus of 0.7% and 0.9% of GDP in 2015 and 2016 respectively, the structural balance is expected to remain above the MTO. This is confirmed by the Commission 2015 autumn forecast. Therefore, Luxembourg is assessed to be compliant with the requirements under the preventive arm of the Stability and Growth Pact". (p. 3)</p>	See the previous column.
	<p>"The Commission is also of the opinion that Luxembourg has made limited progress with regard to the country-specific recommendations issued by the Council in the context of the 2015 European Semester relating to fiscal governance and thus invites the authorities to accelerate progress". (p. 4)</p>		
<u>Malta</u>	<p>"Overall, the Commission is of the opinion that the Draft Budgetary Plan of Malta, which is currently under the preventive arm and subject to the debt rule, is broadly compliant with the provisions of the Stability and Growth Pact". (p. 5)</p>	<p>"According to the Draft Budgetary Plan, the annual change in the (recalculated) structural balance of 0.3% of GDP in 2015 is below the required adjustment of 0.6% of GDP, pointing to a risk of some deviation from the required adjustment towards the MTO. [...] Based on the Commission 2015 autumn forecast, the structural balance is projected to improve by 0.3% of GDP, leading to some deviation". (p. 4)</p>	<p>"In 2016, according to the Draft Budgetary Plan, the projected 0.4% of GDP improvement in the structural balance would lead to some deviation from the required 0.6% of GDP adjustment towards the MTO [...]. Similarly, for 2016, the Commission forecast points to a risk of some deviation from the required adjustment towards the MTO based on the structural balance (gap of 0.2% of GDP)" (p. 4)</p>
	<p>"The Commission is also of the opinion that Malta has made some progress with regard to the country-specific recommendations issued by the Council in the context of the 2015 European Semester relating to fiscal governance and invites the authorities to make further progress". (p. 5)</p>		
<u>Netherlands</u>	<p>"Overall, the Commission is of the opinion that the Draft Budgetary Plan of the Netherlands, which is currently under the preventive arm and subject to the transitional debt rule, is compliant with the provisions of the Stability and Growth</p>	<p>"Based on the Draft Budgetary Plan, the (recalculated) structural balance points to some deviation from the requirement in 2015, while the expenditure benchmark points to compliance. [...] In view of revenue shortfalls caused by low gas production revenues and ongoing</p>	Referring to the structural balance and to the expenditure benchmark, the Commission states that " In 2016, both pillars point to compliance. [...] Based on the same considerations as in 2015, the overall assessment points to compliance. [...] Based on the Commission 2015 autumn forecast, there

	<p><i>Pact. The Commission invites the authorities to rigorously implement the 2016 budget". (p. 4)</i></p>	<p><i>household deleveraging, the expenditure benchmark appears to be a better indicator of the fiscal effort at the current juncture, thus pointing to compliance. [...] Based on the Commission 2015 autumn forecast, there appears to be some deviation from the requirement in both 2015 and 2016 individually, as well as over 2015 and 2016 on average. Furthermore, the Commission forecast points to compliance with the expenditure benchmark in 2015 and 2016, warranting an overall assessment. As mentioned above, the expenditure benchmark appears to be a better indicator of the fiscal effort at the current juncture leading to the conclusion that the Netherlands is projected to be compliant both in 2015 and 2016. ". (pp. 3-4)</i></p>	<p><i>appears to be some deviation from the requirement in both 2015 and 2016 individually, as well as over 2015 and 2016 on average. Furthermore, the Commission forecast points to compliance with the expenditure benchmark in 2015 and 2016, warranting an overall assessment. As mentioned above, the expenditure benchmark appears to be a better indicator of the fiscal effort at the current juncture leading to the conclusion that the Netherlands is projected to be compliant both in 2015 and 2016.". (pp. 3-4)</i></p>
<p style="writing-mode: vertical-rl; transform: rotate(180deg);"><u>Austria</u></p>	<p><i>"Overall, the Commission is of the opinion that the Draft Budgetary Plan of Austria, which is currently under the preventive arm and subject to the transitional debt rule is at risk of non-compliance with the provisions of the Stability and Growth Pact. In particular, the Commission 2015 autumn forecast points to a risk of significant deviation from the MTO in 2016. However, in case the current estimate of the budgetary impact of the exceptional inflow of refugees was excluded from the assessment, the projected deviation would no longer be significant". (p. 6)</i></p>	<p><i>"In 2015, according to the information provided in the Draft Budgetary Plan, both the structural balance pillar and the expenditure benchmark point to compliance. [...] The Commission 2015 autumn forecast provides a near-identical reading." (p. 4)</i></p>	<p><i>"For 2016, according to the information provided in the Draft Budgetary Plan, the change in the recalculated structural balance of -0.1% of GDP points to a risk of some deviation (gap of -0.2% of GDP) from the required adjustment of 0.1% of GDP. [...]As to the Commission 2015 autumn forecast, the structural balance is expected to deteriorate by 0.4% of GDP in 2016, resulting in a significant deviation from the required adjustment towards the MTO (gap of -0.6% of GDP). [...] Nevertheless, a part of the deviation from the MTO, both on the basis of the structural balance and the expenditure benchmark pillar, is due to an increase in refugee-related spending. If the current estimate of the increase in refugee-related expenditure was excluded, the assessment would point to a risk of some deviation from the MTO in 2016." (pp. 4-5)</i></p>
	<p><i>"The Commission is also of the opinion that Austria has made limited progress with regard to addressing the country-specific recommendations issued by the Council in the context of the 2015 European Semester relating to fiscal governance and thus invites the authorities to accelerate progress". (p. 6)</i></p>		

<p style="text-align: center;"><u>Slovakia</u></p>	<p>"Overall, after taking into account the additional information provided by the Slovak authorities, the Commission is of the opinion that the Draft Budgetary Plan of Slovakia, which is currently under the preventive arm, is compliant with the provisions of the Stability and Growth Pact". (p. 4)</p>	<p>"The (recalculated) structural effort underpinning the Draft Budgetary Plan shows some deviation compared to the requirement in 2015. [...] As the expenditure benchmark shows compliance with the requirements in 2015 and over 2014-2015, according to the Draft Budgetary Plan, an overall assessment is required. Besides the fact that the change in the recalculated structural balance is considered to be underestimated due to differences in the assessment of one-offs, the expenditure benchmark appears to better reflect the fiscal effort as it is less affected by the surge in EU-related investment spending. Hence, based on the Draft Budgetary Plan, Slovakia would respect the required adjustment towards the MTO in 2015. The Commission 2015 autumn forecast suggests compliance with the required effort in 2015 [...]." (p. 3)</p>	<p>"For the year 2016, both the (recalculated) structural balance of the Draft Budgetary Plan and the expenditure benchmark point to adherence to the required adjustment of 0.25% of GDP. However, the Commission 2015 autumn forecast indicates a risk of some deviation from the requirement in 2016 [...] Based on its assessment of further information provided by the Slovak authorities and published on the website of the Ministry of Finance, the Commission considers that the projected change in the structural balance in 2016 is in line with the requirement". (p. 4)</p>
	<p>"The Commission is also of the opinion that Slovakia has made limited progress with regard to the country-specific recommendations issued by the Council in the context of the 2015 European Semester relating to fiscal governance and thus invites the authorities to accelerate progress." (p. 4)</p>		
<p style="text-align: center;"><u>Finland</u></p>	<p>"Overall, the Commission is of the opinion that the Draft Budgetary Plan of Finland, which is currently under the preventive arm, is broadly compliant with the provisions of the Stability and Growth Pact". (p. 5)</p>	<p>"In 2015, the Draft Budgetary Plan foresees a deterioration of the structural balance of 0.1% of GDP, thereby pointing to some deviation from the required adjustment of 0.1% of GDP. [...] Based on the Commission 2015 autumn forecast, the structural balance also points to some deviation in 2015 [...]." (p. 4)</p>	<p>"In 2016, the Draft Budgetary Plan projects almost no change in the recalculated structural balance whereas the required adjustment is 0.5% of GDP, pointing to some deviation from the required adjustment path in 2016. [...] The Commission 2015 autumn forecast points to a 0.2% of GDP improvement in the structural balance in 2016, due to a wider output gap estimate, resulting in 0.3% of GDP deviation based on the structural balance pillar". (p. 4)</p>
	<p>"The Commission is also of the opinion that Finland has made limited progress with regard to the country-specific recommendations issued by the Council in the context of the 2015 European Semester relating to fiscal governance and thus invites the authorities to accelerate progress". (p. 5)</p>		