STUDY

Country-Specific Recommendations for 2019 and 2020

A tabular comparison and an overview of implementation

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PE 651.389 - May 2021

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DIRECTORATE-GENERAL FOR INTERNAL POLICIES OF THE UNION

ECONOMIC GOVERNANCE SUPPORT UNIT

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This document presents:

- The **2019 Country-Specific Recommendations (CSRs)** adopted by the Council in the framework of the European Semester on 9 July 2019 (on the basis of European Commission proposals of 5 June 2019).
- The European Commission's **assessments of the implementation of the 2019 CSRs** based on its Country Reports published on 26 February 2020.
- The **2020 CSRs** adopted by the Council in the framework of the European Semester on 20 July 2020 (on the basis of European Commission proposals of 20 May 2020)

No assessment of the progress on the implementation of the 2020 CSRs has been published by the Commission due to the streamlined European Semester Cycle during the pandemic.

For an overview of the Council Recommendations on the economic policy of the euro area, please see a separate EGOV document. For a specific overview of the 2020 CSRs, please this EGOV document.

CSRs can relate to **a specific EU policy objective and underlying legal procedure.** In particular:

- The first CSR generally refers to **fiscal policies.** It could therefore trigger further procedural steps either under the Stability and Growth Pact - SGP (in accordance with Regulation 1466/97, Regulation 1467/97, and Regulation 1173/2011). Due to the pandemic, the Commission and the Council activated in March 2020 the general escape clause of the SGP, which implies that the provisions are not fully applied (there are notably no quantitative budgetary targets for countries in the preventive arm of the Pact). Please see separate EGOV document on implementation of the SGP during pandemic and a Thematic Digest on the timing and conditions for a future deactivation of the SGP escape clause.
- If the Member State is **experiencing macroeconomic imbalances**, then one or more CSRs may refer to these imbalances, which could trigger further procedural steps under the Macroeconomic Imbalances Procedure - MIP (in accordance with Regulation 1176/2011 and Regulation 1174/2011). Please see two separate EGOV documents on the MIP implementation and the MIP procedure.
- Other CSRs can address **different 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 2020 CSRs were quite different to previous years, as they focused on short and medium term policy measures to combat the economic and social effects of the pandemic.

In addition, Member States are requested to take into account the 2019 and 2020 CSRs in their **Recovery and Resilience Plans** (in accordance with Regulation 2021/241 and with the recitals of the 2020 CSRs).

Due to the pandemic, the Commission, the Council and the European Parliament have agreed not to apply the established procedure under the European Semester framework. In this respect, the Commission has decided not to publish in February 2021 the Country Reports (including assessments on the progress of implementation of the 2020 CSRs) and not to propose a full set of CSRs for 2021 (the Commission is expected to propose guidance on fiscal policies, while taking into account the general escape clause). See separate EGOV briefing on the European Semester during the pandemic.

Please note that the overall assessments of the fiscal CSRs based on these Commission country reports of February 2020 **do not include assessments of compliance with the recommendations based on the SGP**. This is particularly sensible in the context of the pandemic, given that the 2019 CSRs contained fiscal consolidation targets for those countries which had not yet attained their medium term fiscal objective, while the most urgent fiscal priority after the outbreak of the pandemic was "*to take all necessary measures to effectively address the pandemic, sustain the economy and support the ensuing recovery*" as included in the CSRs for 2020. For an overview of recent key developments under the Stability and Growth Pact (including on relevant indicators included in the latest comprehensive European Commission economic forecasts), please see a separate EGOV document.

As regards overleaf tables, the "colour code" used for the assessment of implementation of 2019 CSRs is based on the categories used by the Commission in its February 2020 Country Reports: **"red"** = "no progress" or "limited progress"; **"yellow"** = "some progress"; **"green"** = "substantial progress" or "full progress" (see assessment criteria at the end of this document).

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

- Country-Specific Recommendations for 2018 and 2019: A comparison and an overview of implementation (PE 614.522)
- Country-Specific Recommendations for 2017 and 2018: A comparison and an overview of implementation (PE 614.522)
- Country-Specific Recommendations for 2016 and 2017: A comparison and an overview of implementation (PE 602.081)
- Country-Specific Recommendations for 2015 and 2016: A comparison and an overview of implementation (PE 497.766)
- Country-Specific Recommendations (CSRs) for 2014 and 2015: A comparison and an overview of implementation (PE 542.659)

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

- Implementation of the 2019 Country-Specific Recommendations (PE 624.443)
- Implementation of the 2018 Country-Specific Recommendations (PE 634.354)
- Implementation of the 2017 Country-Specific Recommendations (PE 614.500)
- Implementation of the 2016 Country-Specific Recommendations (PE 587.394)
- Implementation of the 2015 Country-Specific Recommendations (PE 574.398)
- Implementation of the 2014 Country-Specific Recommendations (PE 542.649)

For an overview of the Commission assessments of CSRs implementation between 2012 and 2019, please see also a separate database published on the EP homepage.

Click to Scroll-down:

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BE	**2019 CSRs** **SGP: CSR 1** **MIP: -**	**Assessment of implementation of 2019 CSRs** **February 2020**	**2020 CSRs** **SGP: CSR 1** **MIP: -**
	1. Ensure that the nominal growth rate of net primary government expenditure does not exceed 1,6 % in 2020, corresponding to an annual structural adjustment of 0,6 % of GDP. Use windfall gains to accelerate the reduction of the general government debt ratio. Continue reforms to ensure the fiscal sustainability of the long-term care and pension systems, including by limiting early exit possibilities from the labour market. Improve the composition and efficiency of public spending, in particular through spending reviews, and the coordination of fiscal policies by all levels of government to create room for public investment. *Split into Sub-CSRs*	**Limited Progress** (this overall assessment of country-specific recommendation 1 does not include an assessment of compliance with the Stability and Growth Pact).	1. Take all necessary measures, in line with the general escape clause of the Stability and Growth Pact, to effectively address the COVID-19 pandemic, sustain the economy and support the ensuing recovery. When economic conditions allow, pursue fiscal policies aimed at achieving prudent medium-term fiscal positions and ensuring debt sustainability, while enhancing investment. Reinforce the overall resilience of the health system and ensure the supply of critical medical products.
	• Ensure that the nominal growth rate of net primary government expenditure does not exceed 1,6 % in 2020, corresponding to an annual structural adjustment of 0,6 % of GDP.	No assessment of compliance with the Stability and Growth Pact.	
	• Use windfall gains to accelerate the reduction of the general government debt ratio.		
	• Continue reforms to ensure the fiscal sustainability of the long-term care	**Limited Progress.** Competences for long-term care have been devolved to the regional level. Flanders intends to pursue a strict budgetary follow-up of government spending based on ageing. Furthermore, spending related to ageing is regulated within a framework in which the 'growth norm' has been agreed and can be enforced. The Walloon region has put in place actions, including the adoption of decrees, to improve preventive cares. Moreover, it has been introduced the obligation for hospitals to be part of a network from 1 January 2020.	

	• and pension systems, including by limiting early exit possibilities from the labour market.	**Limited Progress.** Measures to contain pension expenditure have been adopted throughout the period 2014-2019. In spite of these measures, the projected increase in pension expenditure is one of the largest in the EU (European Commission 2018b Ageing report). An agreement on the reform of 'arduous job' could not be reached. The introduction of partial pension, which allow taking up a part of the pension rights while accumulating pension rights for the (partially) continued activity, will be discussed in the Parliament next year. In addition, to increase incentives to work, Flanders is planning to introduce of a 'job bonus', which aims to grant to all workers with a gross wage lower than EUR 1700, with an additional income of EUR 50 per month, with the bonus tapering off as wage increase and disappearing altogether for wage of EUR 2500 or higher.	
	• Improve the composition and efficiency of public spending, in particular through spending reviews,	**Limited Progress.** The Bruxelles Capital region has announced plans to conduct a comprehensive gap analysis of its public financial management (PEFA) in order to introduce a multi-annual approach and to increase the link between budget, policies, and results. The completion of the PEFA review is planned by spring 2021 at the latest. Flanders, after completing a pilot project on spending review, is preparing the structural implementation of a spending review approach in its budgetary process. The Walloon region plans to start the evaluation of a number of policy measures, with a view to complete the exercise by 2021.	
	• and the coordination of fiscal policies by all levels of government to create room for public investment.	**No Progress.** No agreement has been found between the different entities to coordinate fiscal policies. Flanders investment ambitions have been reflected in the 2020 budget, where an additional investment of EUR 100 million has been budgeted. The Walloon region issued green bonds to finance/refinance projects in favour of the climate and energy transition in the region. However, the planned increase in regional investment is not covered by additional revenues or saving in other expenditure, therefore it is expected to translate in a higher deficits.	
	2. Remove disincentives to work and strengthen the effectiveness of active labour market policies, in particular for the low-skilled, older workers and people with a migrant background. Improve the performance and inclusiveness of the education	**Limited Progress.**	2. Mitigate the employment and social impact of the COVID-19 crisis, notably by promoting effective active labour market measures and fostering skills development.

	and training systems and address skills mismatches. *Split into Sub-CSRs*		
	• Remove disincentives to work and strengthen the effectiveness of active labour market policies, in particular for the low- skilled, older workers and people with a migrant background.	**<u>Limited Progress.</u>** In 2019, some measures have been implemented with the aim to increase labour market participation. However, most of these measures are part of earlier reforms and are already taken into account in previous assessments. At the federal level, the fall of the Belgian federal government in December 2018 and the ongoing negotiations for the formation of a new federal government since the elections of May 2019, resulted in stand-still of the federal government in current affairs in terms of the development of new initiatives to address the CSR. Some measures that were foreseen in the Jobsdeal, such as the increase in the degressivity of the unemployment benefits or the discussions to revise the system of seniority payments, have been put on hold. At the regional level, several measures have been announced in the 2019-2024 regional coalition agreements, in which all regional governments aim for a substantial increase in their employment rates. However, at this stage it is too early to make an assessment. In Wallonia, a reform is foreseen to increase the effectiveness of the public employment services (PES) by further individualising support to jobseekers. This is aimed to allow the PES to provide a more holistic approach for the most vulnerable jobseekers. In addition, a new employment incentive will be implemented for very long-term (more than 24 months) unemployed. In Flanders, a job bonus for low wage workers will be introduced in 2021 to increase the net return from employment. In addition, reduced tariffs for social services such as child care and public transport will be made income dependent to reduce the financial disincentive to take up low wage employment. Furthermore, access to PES services will be expanded to inactive individuals who are not eligible for unemployment benefits. A strategy to reach these individuals will be developed in the spring of 2020. To increase labour market participation, the potential of long-term ill persons to return to work will be assessed earlier. In Brussels, the government plans to introduce a "solution guarantee", which should ensure that every jobseeker is offered a job, a traineeship, a training or a recognition of competences. In addition, Brussels plans to in-	

		troduce several measures to support the integration of vulnerable jobseekers, including older unemployed (55+) and people with disabilities. The ordinance of 11/16/2017 authorised the Brussels Region's labour inspection service, as of 1/1/2018 and strictly within the Brussels competences, to use practical tests and mystery calls as additional tools to detect discrimination on the Brussels labour market. Until today, no mystery calls have been used yet. In 2018, four practical tests, which did not deliver substantial proof of discrimination, were sent out by post.	
	• Improve the performance and inclusiveness of the education and training systems	**Limited Progress.** The overall assessment for Belgium is "limited progress" in addressing the 2019 CSR. The detailed assessment for the Communities is the following: Limited progress in the French Community. Some progress has been made in adoption (legal framework for the extended common curriculum) and (partial) implementation of reforms (early childhood education and care, governance of schools, principals and working time of teachers) to improve the performance and inclusiveness of compulsory education (Pact for Excellence in Education) in the French Community, but a sustained continuous and considerable amount of work is still needed to implement the 'Pact for Excellence', the French Community's flagship systemic school reform to improve basic skills, efficiency, governance and tackling inequalities. Elaboration, adoption and implementation of different measures under the different axes of the Pact are still required, including reforming vocational education and training (VET). While some reforms are still being elaborated, no to limited progress was achieved in the other sectors of education and training. The reform of the initial teacher training has been postponed by one year to 2021/2022. Some progress was achieved in the Flemish Community, mainly through implementation from September 2019 of measures and reforms agreed under the previous government in all sectors of education. These measures should show some results in the medium to long term, but a significant amount of work is still needed to fully address the CSR. No new measures, except increasing the budget for pre-primary and primary education, have been taken since the May 2019 elections.	
	• and address skills mismatches.	**Limited Progress.** In 2019, some measures have been implemented with the aim to address skills mismatches, including by increasing the number of STEM graduates. However, most	

		of these measures are part of earlier reforms and are already taken into account for in previous assessments. At the federal level, the fall of the Belgian federal government in December 2018 and the ongoing negotiations for the formation of a new federal government since the elections of May 2019, resulted in stand-still of the federal government in current affairs in terms of the development of new initiatives to address the CSR. At the regional level, measures have been announced in the 2019-2024 regional coalition agreements, but at this stage it is too early to make an assessment. In Flanders, the Flemish government has announced its intention to introduce an individual learning account and to establish a platform for lifelong learning where the Departments of Work, Education and Economy in cooperation with the social partners will develop a common vision, ambitions and goals. These measures aim to promote a culture of lifelong learning and to stimulate the willingness to learn. They complement the educational database that gives an overview of all training programs for which the Flemish can use educational vouchers. In Brussels, the government plans to attract more participants in trainings by strengthening its policy on the "Poles de formation" and by introducing a "training income", which complements the benefit of the jobseeker with income that is related to the successful completion of the training. Furthermore, Brussels wants to strengthen language competences in cooperation with the other Communities. In all regions, the recognition of skills is high on the policy agenda. The French-speaking community has implemented new measures to support Upskilling Pathways, including an online tool for validation, partnerships with key operators to support the mutual recognition of learning outcomes, and fostered access to the first certifying pathways. In Flanders, measures include the development of a validation instrument and the creation of a register of all the centres that perform validation.	
	3. Focus investment-related economic policy on sustainable transport, including upgrading rail infrastructure, the low carbon and energy transition and research and innovation, in particular in digitalisation, taking into account regional disparities. Tackle the growing mobility challenges, by reinforcing incentives and removing barriers to	**Limited Progress.**	3. Ensure effective implementation of the measures to provide liquidity to assist SMEs and the self-employed and improve the business environment. Front-load mature public investment projects and promote private investment to foster the economic recovery. Focus investment on the green and digital transition, in particular on infrastructure for sustainable transport, clean and

	increase the supply and demand of collective and low emission transport. *Split into Sub-CSRs*		efficient production and use of energy, the circular economy, digital infrastructure, such as 5G and Gigabit Networks, and research and innovation.
	• Focus investment-related economic policy on sustainable transport, including upgrading rail infrastructure,	**Some Progress.** Some progress has been made on investment-related economic policy on sustainable transport, including upgrading rail infrastructure. At federal level, major investment in the RER-GEN regional express train network around Brussels will continue until 2031, as well as the implementation of the European Rail Traffic Management Signalling System, connection to ports and new upgraded cross-border rail infrastructure projects. The three regions, in particular Brussels, have designed and launched multiannual transport infrastructure investment plans. The updated version of the Brussels multi-year public transport investment plan was updated and will involve €6 billion for the 2015-2028 period. The draft Brussels Sustainable Urban Mobility Plan was adopted in April 2019 and has been submitted for public enquiry till October 2019. In Wallonia, the mobility and infrastructure plan for investment in cycle path, water transport and increasing the quality and security of the existing road network was adopted in April 2019. In Flanders, the Flemish transport administration committed to invest €600 million in improving the traffic flow, and in cycling and water borne transport. Meanwhile though, Belgium still scores poorly in terms of road infrastructure.	
	• the low carbon and energy transition	**Limited Progress.** Belgium has made limited progress in implementing policies and measures in support of investment-related economic policy on the low carbon and energy transition. Latest 2018 verified greenhouse gas inventories data show a slight increase in emissions in comparison to the previous year. This contrasts with the high levels of ambition put forward for the medium term and the commitment to the Paris agreement. The energy efficiency and renewable energy targets in the final national energy and climate plan notified in December 2019 are below those that were included in the draft version of the plan the year before and show a low level of ambition. The law introducing a competitive tendering for the construction and operation of production facilities creates a legal framework for tendering new windfarms. Significant offshore wind capacity is in development in the Belgian North Sea. Brussels is investing in photovoltaic systems in public buildings in the frame of the Solarclick programme, which will	

		run till end 2020. Belgium also ranks low in the energy performance of buildings, and in spite of some proactive policies, the renovation of buildings is moving slowly. Brussels has adopted its long-term renovation strategy in April 2019. Belgium committed to fully phasing out nuclear energy by 2025, which will cause a major change in the present generation capacity mix: at the same time discussions continue on whether to further extend the operation of a limited number of nuclear power plants beyond 2025, which does not contribute to a more predictable energy investment environment.	
	• and research and innovation, in particular in digitalisation, taking into account regional disparities.	**Limited Progress.** Limited progress has been made on research and innovation, in particular on digitalisation, taking into account regional disparities. Research and development (R&D) expenditures in the private sector is relatively high, although it is concentrated in a few multinational companies. Despite an increase in public R&D intensity from 2007 to 2018, it remains below the increase in public R&D intensity in most Member States with a similar level of economic development. The R&D investment could be more widespread towards smaller firms. The efficiency of the R&D public schemes could be improved as these schemes are not based on 'additionality' principle, in terms of net job creation, new investment or extra earnings from innovation. The R&D governance system is complicated with multiple governments at federal, regional and community level responsible for (parts) of research and innovation (R&I) policy. Cooperation and coordination exist mainly at operational level regarding national issues. The shortage of highly skilled professionals, in particular in sciences, engineering and math, and the lack of "knowledge entrepreneur" hampers Belgian growth prospects. Finally, regions are conducting R&D programmes to support the low-carbon transition. In terms of digitalisation, a policy framework with financing measures for promoting the uptake and deployment of Artificial Intelligence have been put in place in Flanders and Wallonia and a similar initiative was put in place in Flanders with regard to cybersecurity. Coordinated efforts between the federal level, the Regions and the Communities are needed to roll out 5G and Belgium risks lagging behind in 5G deployment.	
	• Tackle the growing mobility challenges, by reinforcing incentives and removing barriers to increase	**Limited Progress.** Despite some additional policies and measures foreseen in the final National Energy Climate Plan, so far limited progress has been made to tackle the growing mo-	

	the supply and demand of collective and low emission transport.	bility challenges, by reinforcing incentives and removing barriers to increase the supply and demand of collective and low emission transport. In Flanders, the government has lifted the exclusive monopoly of De Lijn on intercity coach services. Environmental taxes have increased, but there is still scope for better aligning taxation to carbon emissions, possibly also increasing tax revenues. Road users pay around 43% (passenger) and 27% (freight) of their external and variable infrastructure costs. In Flanders, the decree on "Basic Accessibility" was adopted by the Flemish Parliament in April 2019, but the implementation of proposed measures has been postponed till December 2021. Alternative tax expenditures (so-called 'cash-for-car' and 'mobility budget') were introduced in 2018 and 2019 respectively. However, recent data from the National Social Security Office suggest that very few taxpayers opted for the cash for car system, which was finally annulled by the Constitutional Court. The favourable company car scheme continues to provide adverse incentives that run counter tackling greenhouse gas emissions. Professional transporters and agriculture still benefit from a reduced excise rate on diesel. Deductibility of fuel costs ('fuel card') continues. High registration rights for immovable properties discourage commuters to move closer to their place of employment. Barriers to the supply of domestic rail services remain as 98.2% of all services are provided under public service obligation (PSO) through a directly awarded contract rather than through competitive tendering.	
	4. Reduce the regulatory and administrative burden to incentivise entrepreneurship and remove barriers to competition in services, particularly telecommunication, retail and professional services. *Split into Sub-CSRs*	**No Progress.**	
	• Reduce the regulatory and administrative burden to incentivise entrepreneurship	**Limited Progress.** Limited progress has been made on reducing the regulatory and administrative burden to incentivise entrepreneurship. Belgium has introduced services for digital identification (itsme) or to facilitate business to government transactions (Mercurius). Belgium has launched initiatives to promote e-prescriptions, medical data exchange and digital interactions with public administrations. In Brussels, the recent reform of the Code on Land Use (CoBAT) has tightened the	

		deadlines for the administration to respond to building permit requests, while in Flanders the digitalisation of building permits is on-going. Wallonia has introduced a SME voucher system. However, taxation remains complex for financial investments and property registration continues to be costly and long. Digitalisation of justice still requires additional action. The coordination of climate, energy, digital and transport policies is still a problem. Key enforcers in regulation, market surveillance or competition are still understaffed. Impact assessments are not integrated in the policy-making. The Belgian State's slow payments to businesses deteriorated compared to the previous year and is a liability to its business environment. A draft ordinance guaranteeing the application of the 'once only' principle in the collection by all regional and local administrations through the regional service integrator (Fidus) was adopted in third and last reading by the Government in December 2019. In Wallonia, the timeframe for obtaining was reduced by the reform of the land use code.	
	• and remove barriers to competition in services, particularly telecommunication, retail and professional services.	**Limited Progress.** Limited progress has been made in removing barriers to competition in services, particularly telecommunication, retail and professional services. On 2 May 2019, Belgium replaced the Code of economic law in the area of competition law, with the intent to improve compliance with competition law and the functioning of the Belgian Competition Authority. The new rules do not foresee a strengthening of the staff or material means of the authority.	

BG	2019 CSRs SGP: - MIP: CSR 2	Assessment of implementation of 2019 CSRs February 2020	2020 CSRs SGP: CSR 1 MIP: -
	1. Improve tax collection through targeted measures in areas such as fuel and labour taxes. Upgrade the State-owned enterprise corporate governance by adopting and putting into effect the forthcoming legislation. *Split into Sub-CSRs*	**Substantial Progress.**	1. Take all necessary measures, in line with the general escape clause of the Stability and Growth Pact, to effectively address the COVID-19 pandemic, sustain the economy and support the ensuing recovery. When economic conditions allow, pursue fiscal policies aimed at achieving prudent medium-term fiscal positions and ensuring debt sustainability, while enhancing investment. Mobilise adequate financial resources to strengthen the resilience, accessibility and capacity of the health system, and ensure a balanced regional distribution of health workers, matching population needs.
	• Improve tax collection through targeted measures in areas such as fuel and labour taxes.	**Some Progress.** Overall, Bulgaria has seen some improvements in tax collection and tax compliance, particularly in the context of labour and fuel taxes. Labour tax revenues have been growing at a higher rate than the tax base (compensation of employees) in both 2017 (by 3 p.p.) and in 2018 (by 1.6 p.p.). Secondly, the amount of undeclared fuel has been decreasing, by about 14% (about 1 million litres) from 2018 to mid-2019. Current lack of plans for a future national strategy to improve tax compliance is a reason for concern, with the National Revenue Agency's strategic priorities being relatively vague ("voluntary compliance, fighting tax fraud, collection of tax liabilities, a continuation of risk-based planning) and may overly rely on soft measures resulting in increased voluntary compliance.	
	• Upgrade the State-owned enterprise corporate governance by adopting and putting into effect the forthcoming legislation.	**Substantial Progress.** A major reform of SOEs corporate governance framework is ongoing. It included the adoption of a law overhauling the framework and the principles for SOEs corporate governance. The reform will only be completed when the implementing acts of the law are prepared and put into effect. The new law prescribes the next steps and the timeline for the completion of the reform.	
	2. Ensure the stability of the banking sector by reinforcing supervision, promoting adequate valuation of assets, including bank collateral, and promoting a functioning secondary market for non-performing loans. Ensure effective supervision	**Some Progress.**	2. Ensure adequate social protection and essential services for all and strengthen active labour market policies. Improve access to distance working

	and the enforcement of the AML framework. Strengthen the non-banking financial sector by effectively enforcing risk-based supervision, the recently adopted valuation guidelines and group-level supervision. Implement the forthcoming roadmap tackling the gaps identified in the insolvency framework. Foster the stability of the car insurance sector by addressing market challenges and remaining structural weaknesses. *Split into Sub-CSRs*		and promote digital skills and equal access to education. Address the shortcomings in the adequacy of the minimum income scheme.
	• Ensure the stability of the banking sector by reinforcing supervision,	**<u>Substantial Progress.</u>** The Bulgarian National Bank (BNB) observes the implementation of the guidelines, recommendations and other measures approved by the European Banking Authority (EBA) with regard to the convergence of supervisory practices throughout the EU. During the reporting period, the BNB approved decisions for the application of a number of EBA guidelines.	
	• promoting adequate valuation of assets, including bank collateral	**<u>Some Progress.</u>** Despite efforts and progress, a range of hard-to-value assets, such as real estate collateral still exist in the balance sheets of banks. Conditions for harmonisation in valuation practices have been put in place since June 2018, when national standards became mandatory for external independent collateral valuers, in accordance with the Independent Valuers Act.	
	• and promoting a functioning secondary market for non-performing loans.	**<u>Some Progress.</u>** The secondary market for NPLs has become more dynamic, notably for retail loans, with some improvement in the NFC segment as well. Ample liquidity is generating demand for NPL portfolios and collateral sales, with large international companies also having entered the market.	
	• Ensure effective supervision and the enforcement of the AML framework.	**<u>Limited Progress.</u>** Bulgaria achieved some progress in the legislative framework. At the end of November 2019, the National Parliament adopted the law aiming to amend the Anti-Money Laundering Act transposing Directive (EU)2018/843 (AMLD 5), as well as the remaining issues of (EU) 2015/849 to prevent the use of the financial system for the purpose of money laundering and	

		terrorist financing (AMLD 4). The national risk assessment was completed in January 2020 and highlights a number of significant threats. The use of financial intelligence remains insufficient and the risk-based approach to supervision has yet to be implemented. Investigation of corruption cases has increased, but final conviction remains very limited.	
	• Strengthen the non-banking financial sector by effectively enforcing risk-based supervision,	**Substantial Progress.** Supervision has been enhanced in several respects. The risk-based supervision guidelines in the insurance and pension insurance sectors became applicable as of 1 January 2019. The new rules may be reviewed in 2020 based on experience and new data available. Further enhancements to the new approach may be necessary following additional tests to reap the full benefits of the measure.	
	• the recently adopted valuation guidelines	**Some Progress.** The regulatory framework has improved. The government adopted important amendments to two regulations in the field of insurance and pension insurance: Ordinance 53 on the requirements for accountability, valuation of assets and liabilities and formation of technical reserves of insurers, reinsurers and the Guarantee Fund and Ordinance 9 laying down detailed rules for valuation of the assets and liabilities of the supplementary pension funds and the pension insurance company. Notwithstanding the progress achieved, tackling remaining weaknesses in valuation practices is necessary, in particular regarding the adequacy of technical provisions in the Motor Third Party Liability Insurance and the ongoing appropriateness of the valuation of non-listed assets.	
	• and group-level supervision.	**Some Progress.** Group-level supervision might become an issue for one particular insurance group, depending on the outcome of the restructuring process. The Financial Supervision Commission, the European Insurance and Occupational Pensions Authority (EIOPA) and a particular insurance group have sought an agreement on the kind of group-level supervision that should apply to that entity. This group is currently taking steps to	

		acquire a major company active outside the non-banking sector and may undergo restructuring. If this process is completed successfully, a new procedure of identification of the group will start, which will result in the group being identified either as an insurance holding company (which involves full group supervision) or a mixed holding company (which involves a more limited supervision).	
	• Implement the forthcoming roadmap tackling the gaps identified in the insolvency framework.	**Limited Progress.** The government adopted the insolvency framework roadmap on 19 June 2019 and established a dedicated steering body, the so-called 'Coordinating Council', which will be in charge of the overall management and coordination of the roadmap's implementation. Efforts to implement the insolvency framework roadmap have already started. The Ministry of Justice has set up an interagency working group to draft the necessary legislative amendments by the end of June 2020. This group will have a wide stakeholder participation with representatives of the government, the judiciary, law professionals and the academia. However, more still needs to be done.	
	• Foster the stability of the car insurance sector by addressing market challenges and remaining structural weaknesses.	**Limited Progress.** Motor third-party liability (MTPL) still warrants attention. MTPL represents a high share in the portfolio of all the Bulgarian insurers. Its profitability has remained insufficient for a long time due to a strong price competition in the sector. After insurance premia increased substantially in 2018, the financial results of the MTPL line of business have strengthened. The solvency of some players relies on the validity of the assumptions underlying the valuation of their assets and liabilities. There are still weaknesses and areas of particular risk currently identified in the non-banking sector, including the effectiveness of the system of governance and application of the prudent person principle, for which sustainable corrections need to be ensured. The government planned to amend by 31 December 2019 the legislation on the implementation of the bonus-malus' system, in line with the results of the public	

		consultation, but the deadline has been missed. The government planned to adopt by 31 December 2019 an ordinance on the approval of a methodology for determining the amount of compensation for material and non-material damage sustained as a result of bodily injury to the injured person and for determining the amount of the compensation for material and non-material damage of the injured person as a result of the death of a victim. However, the deadline has been missed. The Bulgarian Green Card Bureau is still under monitoring and the sectoral reinsurance cover is yet to be underwritten.	
	3. Focus investment-related economic policy on research and innovation, transport, in particular on its sustainability, water, waste and energy infrastructure and energy efficiency, taking into account regional disparities, and improving the business environment. *Split into Sub-CSRs*	**Limited Progress.**	3. Streamline and accelerate the procedures to provide effective support to SMEs and self-employed, also ensuring their continued access to finance and flexible payment arrangements. Frontload mature public investment projects and promote private investment to foster the economic recovery. Focus investment on the green and digital transition, in particular on clean and efficient production and use of energy and resources, environmental infrastructure and sustainable transport, contributing to a progressive decarbonisation of the economy, including in the coal regions.
	• Focus investment-related economic policy on research and innovation,	**Limited Progress.** R&D spending remains very low both in the public and in private sectors. Bulgaria has the fifth lowest R&D intensity level in the EU: 0.75% of GDP in 2018, with a very small increase from 0.74% of GDP in 2017. The extremely low public R&D intensity (0.21% of GDP in 2018, the third lowest in the EU) is particularly concerning, and it has been on a mostly decreasing trajectory since 2000. This hinders the required capacity building, as research infrastructure is outdated and the very low wages act as deterrents to attracting and retaining young talent. While the business R&D intensity increased between 2009 and 2014, it is now also on a decreasing path (0.54% of GDP in 2018, from a peak of 0.70% in 2015).	
	• transport, in particular on its sustainability,	**Limited Progress.** The quality of road infrastructure has been increasing slightly over the last years, following significant investments supported by the European Structural and Investment Funds. The on-going construction of a national	

		motorway demonstrates good intentions to modernise but is still slow. On infrastructure, efforts are needed on railway infrastructure fluidity, without segmentation of modernized and non-modernized parts and on development of further internal railway network interconnecting strategic points while developing a network of multimodal platforms for transit and for country purposes. The penetration rate of alternative-fuelled passenger cars is still relatively low compared to the top performers in the EU. In road, rail and inland waterways transport, external costs related to accidents, environment (air pollution, climate change, energy production, noise, habitat damage) are about 7 billion EUR annually, which corresponds to 6,5% of Bulgaria's GDP. Road users generate almost 98% of such costs. While road users pay 97% of revenues in transport, the taxes and charges paid by them do not cover the total transport generated costs as they cover 66% and 46% of the total external and infrastructure costs for passenger and freight respectively. Transport modes as rail, aviation and waterborne at the moment have a very limited contribution to the transport revenues which puts in question the sustainability of transport.	
	• water, waste and energy infrastructure and energy efficiency, taking into account regional disparities,	**Limited Progress.** Water - limited progress: limited implementation on the ground; Bulgaria is still far from achieving compliance with the drinking water and urban waste water treatment directives. Waste - some progress: some progress in closure and rehabilitation of non-compliant landfills. Implemented and on-going waste infrastructure projects financed under different programmes, including but not limited to EU funds, are with limited magnitude; many projects still remain to be implemented in the future. Investments in research and development (R&D) in low-carbon technologies are rather low but increasing. Investments are driven primarily by the private sector. A key role in the development and deployment of	

		low-carbon technologies is played by the Innovation Strategy for Smart Specialisation 2021-2027, which is currently being updated. Very limited progress was made towards reaching the 2020 indicative national target for energy efficiency. In 2018 Bulgaria's final energy consumption increased slightly compared to 2017, remaining above the linear trajectory by 11 pp. Similarly, in 2018 Bulgaria did not reduce its primary energy consumption sufficiently to stay below the linear trajectory. There are outstanding compliance issues with the legal requirements and the current legal framework provides insufficient incentives for the obliged parties to invest more in energy savings. Huge energy saving and carbon reducing potential yet to be unlocked by targeted measures in the industrial, transportation, and residential sectors - in 2018 the highest energy consumption was in the transport sector (34%), followed by industry (28%) and households (24%). Serious social challenges are interlinked with the process of effective energy transformation, such as job losses and falling life quality standards. To facilitate a just transition towards a low-carbon economy from a macroeconomic and socio-economic perspective, significant investments in the fields of climate and energy are required. Transformation measures have not yet been considered. In October 2019, the government indicated that a debate with stakeholders has been initiated on the possibility to join the EC platform "Coal Regions in Transition", which, if and when realized, could help with identifying priority projects, measures, and investments. Investment-related economic policy on energy infrastructure: Substantial progress in gas (construction works on IGB interconnector + reinforcing and modernisation of internal high-pressure grid + improved functioning of the wholesale market through the setting up of a gas hub + PCI projects + Council of Minsters Decision to acquire a stake of the LNG facility in Northern Greece); Some progress in electricity (capacity increase of	

		internal lines + interconnectors + improved functioning of the wholesale market through intra-day coupling) Investment-related economic policy on energy efficiency: Limited progress. R&D investment in low carbon technologies below 1% with private R&D increasing while public R&D remain the lowest in the EU, well below 0.4% of GDP. Limited progress towards reaching the 2020 indicative national target for energy efficiency.	
	• and improving the business environment.	**Some Progress.** Bulgaria is implementing measures in order to improve the business environment and to remove the existing obstacles to investment, however, they have not led to significant improvements so far.	
	4. Strengthen employability by reinforcing skills, including digital skills. Improve the quality, labour market relevance, and inclusiveness of education and training, in particular for Roma and other disadvantaged groups. Address social inclusion through improved access to integrated employment and social services and more effective minimum income support. Improve access to health services, including by reducing out-of-pocket payments and addressing shortages of health professionals. *Split into Sub-CSRs*	**Limited Progress.**	4. Minimise administrative burden to companies by improving the effectiveness of public administration and reinforcing digital government. Ensure an effective functioning of the insolvency framework. Step up the efforts to ensure adequate risk assessment, mitigation, effective supervision and enforcement of the anti-money-laundering framework.
	• Strengthen employability by reinforcing skills, including digital skills.	**Some Progress.** Sustained efforts to increase skills of jobseekers, such as trainings, traineeships, apprenticeships and dual VET have shown positive results. Operations were implemented at national and local level in 2019 to improve employability of vulnerable groups. There are ongoing measures to improve the labour market relevance of VET and higher education, although their impact is still limited.	
	• Improve the quality, labour market relevance, and inclusiveness of education and training, in particular for Roma and other disadvantaged groups.	**Limited Progress.** There has been limited progress in the area of education and training, as the challenges of quality and inclusion, in particular for Roma, remain. The impact of the measures taken to tackle any of those is yet to be seen. There are measures undertaken to improve the labour	

		market relevance of education, but their impact is mitigated.	
	• Address social inclusion through improved access to integrated employment and social services	**Limited Progress.** Bulgaria planned to improve the provision of social services with the new law adopted in March 2019, but its entry into force is delayed to the second half of 2020, however, there is no implementation and the timeframe could be further extended.	
	• and more effective minimum income support.	**Some Progress.** Measures have been taken to improve the adequacy and coverage of the heating allowance as part of the minimum income support. In particular, the modification of the access criteria and the increase by 24.5% of the allowance to a 21% increase of the number of recipients compared to 2018.	
	• Improve access to health services, including by reducing out-of-pocket payments and addressing shortages of health professionals.	**Limited Progress.** Majority of measures to address problems with access to health care including out-of-pocket payments and shortages of health professionals are either in drafting stage or in process of adoption.	

CZ	**2019 CSRs** **SGP: -** **MIP: -**	**Assessment of implementation of 2019 CSRs** **February 2020**	**2020 CSRs** **SGP: CSR 1** **MIP: -**
	1. Improve long-term fiscal sustainability of the pension and health-care systems. Adopt pending anti-corruption measures. *Split into Sub-CSRs*	**Limited Progress.**	1. Take all necessary measures, in line with the general escape clause of the Stability and Growth Pact, to effectively address the COVID-19 pandemic, sustain the economy and support the ensuing recovery. When economic conditions allow, pursue fiscal policies aimed at achieving prudent medium-term fiscal positions and ensuring debt sustainability, while enhancing investment. Ensure the resilience of the health system, strengthen the availability of health workers, primary care and the integration of care, and deployment of e-health services.
	• Improve long-term fiscal sustainability of the pension and health-care systems.	**No Progress.** The process of a regular review of the statutory retirement age took place in 2019. The report concluded that an increase in expected expenditure on pensions up to 14.5% of GDP in 2059. After social and economic considerations, the government decided not to increase the statutory retirement age. Therefore, the long-term fiscal sustainability of the pension system remains problematic. There was some limited progress regarding the sustainability of the health-care system. A schedule for the reform of primary care was approved by the Ministry of Health in June 2019. The use of Diagnostic Related Groups will be piloted for reimbursement on a limited scale in 2020, with the aim to further increase the scope in 2021. The system of ePrescriptions was fully implemented in 2019 and there are further developments in for instance eHealth and enhancement of the competences of general practitioners.	
	• Adopt pending anti-corruption measures.	**Limited Progress.** Several pending measures are either not yet adopted by the government, or are not finally approved by the Parliament. These proposals include: extending the role of the Supreme Audit Office to the regions and municipalities, introducing legislation on protection of whistleblowers and on lobbying. The bill on whistleblower protection is currently prepared at ministerial level, with a view to adopt it in 2020. The law on nominations to the state owned companies was adopted by the Parliament in 2019.	

	2. Foster the employment of women with young children, including by improving access to affordable childcare, and of disadvantaged groups. Increase the quality and inclusiveness of the education and training systems, including by fostering technical and digital skills and promoting the teaching profession. *Split into Sub-CSRs*	**Limited Progress.**	2. Support employment through active labour market policies, the provision of skills, including digital skills, and access to digital learning.
	• Foster the employment of women with young children, including by improving access to affordable childcare, and of disadvantaged groups.	**Limited Progress.** Women aged 25-49 with small children continue to be underrepresented in the labour market. The negative impact of parenthood on female labour market participation continues to be above the EU average. Despite the considerable increase in the number of childcare places created with the support of the European Social Fund, supply still falls short of demand, leaving the participation rate in formal childcare for children under age 3 still significantly below the EU average. Authorities plan to amend the Children´s Groups Act by 2022 in order to harmonise the different rules and make childcare more affordable through increased resources, in particular for children below 3 years for which currently there is no legal entitlement for a place. High demand for labour has led to improvements in the participation of underrepresented groups. Still, Czechia has a higher than average employment rate gap between people with and without disabilities - 29.7 pps vs 24.2 pps in the EU in 2017. There are also significant regional differences. Targeting of active labour market policies to the most vulnerable is still not sufficient, including in the new measures announced (Employment Pack).	

	• Increase the quality and inclusiveness of the education and training systems, including by fostering technical and digital skills and promoting the teaching profession.	**<u>Some Progress.</u>** Positive measures were adopted but still they seem insufficient to bring enough actual progress. Socioeconomic inequality of opportunities for children remains high. The latest PISA results show that the share of 15 year-old students with a low socio-economic background who underperform in reading is 29.7 percentage points greater than for those coming from a high socio-economic background. The reform to promote inclusive education has so far had a limited impact on Roma and the possible impacts of the amendment to the inclusive education reform are uncertain. Substantial progress to improve the educational outcomes of Roma still remains to be observed. Despite recent wage increases, teachers' wages in Czechia are among the lowest across OECD countries and consistently below those of tertiary-educated adults at all levels of education. The teaching profession still has limited capacity to attract the best candidates. The ageing of the teaching workforce is a rising issue in Czechia, in particular at primary level, with raising concerns about potential shortages in the future. Despite some measures taken (for example Action Plan Work 4.0), the level of advanced digital skills is below the EU average. There is scope for further development of teachers' training in ICT skills. The initiatives implemented by Czechia are a step in the right direction towards higher quality vocational education and training, but their impact needs to be closely monitored. Also a comprehensive national skills strategy is still missing. The government has adopted the implementation plans for the Digital Czechia Programme. They include actions to improve digital skills through the support for life-long learning, upskilling employees in SMEs and freelancers, support of courses for job seekers, improving digital literacy of students and teachers or opening education to digital technologies. If properly implemented, these actions have the potential to address the country-specific recommendation in the area of digital skills.	

	3. Focus investment-related economic policy on transport, notably on its sustainability, digital infrastructure, and low carbon and energy transition, including energy efficiency, taking into account regional disparities. Reduce the administrative burden on investment and support more quality-based competition in public procurement. Remove the barriers hampering the development of a fully functioning innovation ecosystem. *Split into Sub-CSRs*	**Some Progress.**	3. Support small and medium-sized enterprises by making greater use of financial instruments to ensure liquidity support, reducing the administrative burden and improving e-government. Front-load mature public investment projects and promote private investment to foster the economic recovery. Focus investment on the green and digital transition, in particular on high-capacity digital infrastructure and technologies, clean and efficient production and use of energy, and sustainable transport infrastructure, including in the coal regions. Ensure access to finance for innovative firms and improve public-private cooperation in research and development.
	• Focus investment-related economic policy on transport, notably on its sustainability,	**Limited Progress.** Several large TEN-T railway projects are on-going, including to upgrade the Prague railway junction as well as the lines connecting to the Slovak and to the German borders. These projects experienced some delays and are planned for completion in the next 2 to 3 years. A number of development studies are also ongoing to further reinforce the rail network. Projects are underway in the road sector as well, including regarding the motorway connections to the Austrian and Polish borders. The uptake of zero emission vehicles remains low. In 2019, only 0.5% of newly registered vehicles were battery electric or plug in hybrid vehicles. The deployment of recharging infrastructure follows the slow growth pass of zero emission vehicles. In December 2020, the Czech government approved a National Investment Plan that gives the utmost priority to transport, allocating around three quarters of the total sum. The plan foresees investment in transport infrastructure of CZK 6,000 billion by 2050, of which CZK 3,000 billion by 2030. The National Investment Plan assumes investments of CZK 782 billion in motorway construction, CZK 878 billion in railway modernisation and CZK 769 billion in the construction of high-speed railway lines.	

	• digital infrastructure,	**Limited Progress.** 5G auction has been postponed suggesting that Czechia will likely not be able to reach the objectives of the EU 5G action plan. The national Innovation strategy aims to help companies use more digital technologies, support Industry 4.0 or build super-fast broadband infrastructure as a basis for online services. However, the government has not yet launched concrete initiatives to implement the strategy.	
	• and low carbon and energy transition, including energy efficiency, taking into account regional disparities.	**Limited Progress.** Czechia has made limited progress regarding the need to improve its legal framework and reduce administrative burden for investing in renewable energies. At around 15%, the share of renewable energy in final consumption is below EU average (18% in 2018) and has been static since 2014. Czechia has one of the highest greenhouse gas emissions per capita in the EU (12.2 tonnes compared to an EU average of 8.5 in 2018) and progress since 2007 has been rather low. The available national sources of funding do not necessarily prioritise investments focusing on sustainability (i.e. that minimise the effects of climate change or environmental destruction) or penalise projects that use solid fossil fuels. Road transport is becoming one of the main consumers of energy in Czechia, but the investments in low-carbon technologies and vehicles remain low. The long-term renovation strategy still lacks details on the steps to renovate and decarbonise buildings, while such details would allow the estimation of benefits from energy savings.	
	• Reduce the administrative burden on investment	**Limited Progress.** The 2018 product market regulation (PMR) data confirms administrative burden on start-ups as a problematic area, particularly concerning licenses and permits. The result may also be driven by distortions induced by state involvement in economy and barriers to domestic and foreign entry. Complex, non-harmonised and unpredictable legislation discourage investors and undermine medium and long-term competitiveness. Ineffective enforcement of single market rules increases	

		uncertainty for economic operators, reducing their incentives to undertake additional investments. Tax compliance costs for businesses remains high. The recent legislative amendments to the Act on accelerating the construction of transport, water, energy and electronic communication infrastructure have been appreciated by the business community with respect to simplification and acceleration, but the impact is still to be assessed. Work is currently underway on a new construction law, the aim of which is to reduce the administrative burden and speed up and streamline the permitting processes in all legislation that regulates or affects the construction law in Czechia (around 60 laws). However, the actual implementation is expected only after 2021.	
	• and support more quality-based competition in public procurement.	**Some Progress.** Effort in supporting quality-based competition is noticeable. The Czech authorities put in place a well-structured training system and organised conferences and specialised events to increase the professionalisation level of contracting authorities. The contracting authorities also seem to genuinely focus more on quality criteria.	
	• Remove the barriers hampering the development of a fully functioning innovation ecosystem.	**Some Progress.** The adopted Innovation Strategy of the Czechia aims to remove obstacles for the development of a functioning innovation ecosystem. Under the same axis, automation and artificial intelligence (AI) have become major policy priorities for the Czech government, part of the larger overarching government plan called 'Czechia - The Country for the Future.' If well implemented, the set up goals could contribute to the improvement of this ecosystem.	

DK	**2019 CSRs** **SGP: -** **MIP: -**	**Assessment of implementation of 2019 CSRs** **February 2020**	**2020 CSRs** **SGP: CSR 1** **MIP: -**
	1. Focus investment-related economic policy on education and skills, research and innovation to broaden the innovation base to include more companies, and on sustainable transport to tackle road congestion. *Split into Sub-CSRs*	**Some Progress.**	1. Take all necessary measures, in line with the general escape clause of the Stability and Growth Pact, to effectively address the COVID-19 pandemic, sustain the economy and support the ensuing recovery. When economic conditions allow, pursue fiscal policies aimed at achieving prudent medium-term fiscal positions and ensuring debt sustainability, while enhancing investment. Enhance the resilience of the health system, including by ensuring sufficient critical medical products and addressing the shortage of health workers.
	• Focus investment-related economic policy on education and skills,	**Some Progress.** The re-priorisation contribution (omprioriteringsbidraget) to education will be cancelled from 2020, thereby significantly increasing the funding of education (approx. DKK 678 million per year). Increased funding for basic education (Folkeskolen) from 2020 till 2023 (i.e. raising by DKK 275 million in 2020 up to DKK 807 million in 2023). A broad political agreement (October 2019) earmarked DKK 102 million to initiatives targeting the upskilling of unskilled workers.	
	• research and innovation to broaden the innovation base to include more companies,	**Limited Progress.** Denmark has taken measures to increase funding for research and innovation. The Research Reserve for 2020 has been increased from the original plan by 38 %, totalling DKK 1.925 billion. The budget earmarks an additional DKK 1 billion for green research in 2020 raising it to a total of DKK 2.3 billion. However no specific measures were proposed to broaden the innovation base and to include more companies.	
	• and on sustainable transport to tackle road congestion.	**Some Progress.** The Government has presented a specific transport plan to tackle key road congestion areas, notably in the Greater Copenhagen and Lillebælt areas. With a view to Denmark's greenhouse gas emissions reduction target, the government is set to negotiate an agreement on infrastructure investments, which takes climate and environmental issues into account, e.g. through investment in public transport and cycling. The Government has taken action to disseminate European Rail Traffic Management System (ERTMS)	

		signalling on Danish railroads, which is a prerequisite for further electrification of the rail network. New electric trains for regional and international traffic to Germany are expected to be operational from 2021.	
	2. Ensure effective supervision and the enforcement of the anti-money laundering framework.	**Some Progress.** Denmark undertook several significant legislative steps over a relatively short period of time, but the recently implemented measures still have to prove their effectiveness. The Financial Supervisory Authority has made progress in enhancing its supervisory capacity, but upgrade has yet to be sought and obtained in respect of Financial Task Force standards relevant for anti-money laundering supervision of financial entities. The DFSA established an AML Division and increased the number of AML-dedicated staff by close to 50% in 2019.	2. Front-load mature public investment projects and promote private investment to foster the economic recovery. Focus investment on the green and digital transition, in particular on clean and efficient production and use of energy, sustainable transport as well as research and innovation. Support an integrated innovation strategy with a broader investment base.
			3. Improve the effectiveness of anti-money laundering supervision and effectively enforce the anti-money laundering framework.

DE	2019 CSRs SGP: - MIP: CSR 1, 2	Assessment of implementation of 2019 CSRs February 2020	2020 CSRs SGP: CSR 1 MIP: CSR 2
	1. While respecting the MTO, use fiscal and structural policies to achieve a sustained upward trend in private and public investment, in particular at regional and municipal level. Focus investment-related economic policy on education; research and innovation; digitalisation and very-high capacity broadband; sustainable transport as well as energy networks and affordable housing, taking into account regional disparities. Shift taxes away from labour to sources less detrimental to inclusive and sustainable growth. Strengthen competition in business services and regulated professions. *Split into Sub-CSRs*	**Limited Progress.**	1. Take all necessary measures, in line with the general escape clause of the Stability and Growth Pact, to effectively address the COVID-19 pandemic, sustain the economy and support the ensuing recovery. When economic conditions allow, pursue fiscal policies aimed at achieving prudent medium-term fiscal positions and ensuring debt sustainability, while enhancing investment. Mobilise adequate resources and strengthen the resilience of the health system, including by deploying e-health services.
	• While respecting the MTO, use fiscal and structural policies to achieve a sustained upward trend in private and public investment, in particular at regional and municipal level.	**Some Progress.** Private investment remains solid despite the economic slowdown, but is still lagging behind infrastructure and housing needs. In 2018, private investment increased by 3% in real terms and across most asset types, excluding non-residential construction investment which remained subdued. In 2019, real investment continued increasing at similar rates, however with non-residential investment picking up speed, while equipment investment growth weakened. Altogether, the private investment share of GDP increased from 18% in 2011-2017 to 19% in 2018-2019. The most dynamic components in recent years have been housing and other investment (comprising mainly R&D and other intellectual property). However, investment is still lagging behind infrastructure and housing needs. This is reflected in short-term pressures, observed for example through increases in house prices and rents. Furthermore, the manufacturing sector faces a slowdown in foreign demand dynamics, in tandem with a need to adapt to climate and environmental requirements (e.g. low-emission cars).	

		Public investment has continued increasing against a backdrop of a significant investment backlog. Gross public investment increased by around 6% annually in 2015-2017 and by close to 9% in 2018 and close to 7% in 2019 in nominal terms. In real terms the increase averaged about 4% in 2015-2019 as price inflation for construction works was high (more than 4.5% on average) in 2017-2019. This raised the public investment rate from 2.1% of GDP in 2015 to 2.5% of GDP in 2019. Since 2017, total government net investment has turned positive. In 2018-2019, municipal investment picked up speed, but net investment remains negative. The investment backlog at municipal level remains high at EUR 138.4 billion, 4% of GDP.	
	• Focus investment-related economic policy on education,	**Limited Progress.** While education expenses have somewhat been increased in 2019, including through the Digitalpakt Schule, a longer term horizon for education expenses remains missing.	
	• research and innovation,	**Some Progress.** Germany invests considerable resources in R&D, still private investment in R&D is increasingly concentrated in large firms while SMEs and start-ups face challenges. R&D intensity has increased during the last years, from 2.46% of GDP in 2007 to 3.13% in 2018 (3rd highest in the EU). A new national R&D intensity target of 3.5% by 2025 was included in Germany's High Tech Strategy (BMBF, 2018). With two thirds of the R&D performed in the business sector, German business R&D intensity (2.16% in 2018) is the third highest in the EU. However, business R&D is predominantly performed by large firms in R&D-intensive industries, whereas small and medium-sized enterprises' R&D expenditure has stagnated over the past decade.	
	• digitalisation and very-high capacity broadband,	**Limited Progress.** Regarding digitalisation, especially digital public services, the implementation of the Online Access Act is proceeding rather slowly, and it is unlikely that the Act's nominal goal of digitalizing all 575 services by the end of 2022 will be met. In November 2019 the Federal Cabinet	

		decided the reorganization of this costly digital project of modernizing the IT infrastructure of the public authorities. Regarding broadband, although the take-up of fast broadband (≥30Mbps) has improved, Germany remains below the EU average, and considerably so in fiber to the premises (FTTP) coverage, 4G coverage and mobile broadband take-up. While the Government made considerable efforts on the financial side for the roll-out of digital networks, significant improvements in terms of FTTP coverage and take-up are not expected in the short term, given the lack of building capacities and know-how.	
	• sustainable transport,	**Limited Progress.** The transport sector has done particularly badly at cutting emissions of both greenhouse gases and local air pollutants, which has led to a gap in meeting Germany's Effort Sharing Decision target. Despite very high external cost of road transport, Germany records a high use of passenger cars while at the same time the competition within the rail passenger sector remains low. The Climate Package of Autumn 2019 included a number of promising measures, including support for creating charging infrastructure of electric vehicles, increased subsidies for electric, hybrid and fuel cell vehicles, public transport investment, creation of new cycling routes, modernisation of ports and inland waterways, support to rail transport. However, the impact and the implementation of these needed and overall well-conceived measures still remain to be seen.	
	• as well as energy networks,	**Limited Progress.** Some measures have been taken, including an agreement on forward-looking internal planning and auditing of grid expansion, and improving construction and access of the liquefied natural gas network to the existing gas transmission system. Still, further investments in energy networks are required; beyond transmission networks also in distribution and heat networks. It is likely that there will be significantly higher investment in transmission infrastructure by 2030 than expected just a year ago. However,	

		there is currently no systematic and comprehensive tracking of investments in different types of energy networks relevant for the energy transition (Energiewende) in Germany at federal level and across different levels of government.	
	• and affordable housing, taking into account regional disparities.	**<u>Limited Progress.</u>** Several housing measures have been adopted, however the impact on housing investment may not necessarily be positive. A mechanism to control the increase in rents is planned to be extended until 2025, while some Länder are considering further accelerating rent controls. A new regulation regarding commission fees of real estate agents is intended to lead to a fairer distribution of the costs between the selling and buying parties. An act to strengthen housing benefits will enter into force in 2020 and will increase the reach and level of housing benefits including regular updates, with the next update scheduled in 2022. Taken together, it is not clear that these measures will improve housing investment. While they may have a temporary mitigating effect on rental price dynamics, in the longer run, prices and investment are also shaped by supply-side policies, and longer term outcomes are intimately linked to incentives to invest in housing.	
	• Shift taxes away from labour to sources less detrimental to inclusive and sustainable growth.	**<u>Limited Progress.</u>** While the reform of the solidarity surcharge will bring some relief, the tax system continues to rely heavily on taxes on labour, and there was limited progress in shifting the tax burden to sources less detrimental to inclusive and sustainable growth.	
	• Strengthen competition in business services and regulated professions.	**<u>No Progress.</u>** No measures have been taken to stimulate competition in business services and regulated professions in 2019. The only announced measures include legal amendments in order to comply with the ruling of the European Court of Justice on tariffs for architects and engineering services and in order to comply with a European regulation. Contrary to this, the federal government presented a draft law that will further stifle competition, as it conditions practicing 12 craft professions on having obtained a Master	

		Craftsman's Certificate (Meisterpflicht). The new measure partly reverses the 2004 deregulation.	
	2. Reduce disincentives to work more hours, including the high tax wedge, in particular for low-wage and second earners. Take measures to safeguard the long-term sustainability of the pension system, while preserving adequacy. Strengthen the conditions that support higher wage growth, while respecting the role of the social partners. Improve educational outcomes and skills levels of disadvantaged groups. *Split into Sub-CSRs*	**Some Progress.**	2. Front-load mature public investment projects and promote private investment to foster the economic recovery. Focus investment on the green and digital transition, in particular on sustainable transport, clean, efficient and integrated energy systems, digital infrastructure and skills, housing, education and research and innovation. Improve digital public services across all levels and foster the digitalisation in SMEs. Reduce the regulatory and administrative burden for businesses.
	• Reduce disincentives to work more hours,	**Some Progress.** Some measures were taken to reduce disincentives to work more hours, in particular regarding taxes on labour. However, overall major disincentives remain in place.	
	• including the high tax wedge, in particular for low- wage [earners]	**Some Progress.** A number of measures taken on the social security contributions and tax brackets impact the tax wedge, however the overall reduction in 2019 and 2020 is limited. While the large-scale abolition of the solidarity surcharge from 2021 will have a noticeable impact, the tax wedge will still remain among the highest in the EU, and the tax and benefit system results in high marginal tax rates for certain groups of low wage earners.	
	• and second earners.	**Limited Progress.** Second earners also benefit from the slight reduction of the tax wedge and from the continuing expansion of childcare and all-day school facilities, the overall landscape is unchanged, with a tax system that results in high marginal tax rates for second earners and with persisting gaps in availability of quality and affordable early childhood education and care.	
	• Take measures to safeguard the long-term sustainability of the pension system, while preserving adequacy.	**Limited Progress.** The Pension Commission (Kommission Verlässlicher Generationenvertrag) continued its deliberations, with proposals expected in March 2020 on the future of the pension system after 2025. Considering the challenges of sustainability, adequacy and fairness, indeed appears to be need for action. The coalition govern-	

		ment agreed on the introduction of a contribution-based minimum pension (Grundrente) in November 2019, that is expected to improve adequacy for certain groups, however, the related legislative act has not been adopted yet.	
	• Strengthen the conditions that support higher wage growth, while respecting the role of the social partners.	**Some Progress.** Overall wage growth has been so far resilient to the slowdown, yet it is expected to decelerate and converge closer to the euro area average. The minimum wage increase from 9.19 euros per hour in 2019 to 9.35 euros per hour in 2020 represents a nominal increase of about 1.7%, remaining below overall wage growth, and collective bargaining coverage stagnated in 2018, at relatively low level compared to the past.	
	• Improve educational outcomes and skills levels of disadvantaged groups.	**Limited Progress.** Germany started in 2019 some promising reforms to improve upskilling and reskilling, yet there is further potential, and the degree of the challenge is underlined by the continuing strong impact of socio economic background on education outcomes, reflected in the OECD Programme for International Student Assessment (PISA) 2018 results where underachievement increased compared to 2015 in all disciplines, most importantly in reading. Germany increased in 2019 the investment in relevant research to improve educational justice. Whose impact on better education outcomes is still to materialise. Educational outcomes and skills levels of disadvantaged groups remained broadly unchanged.	

EE	**2019 CSRs** **SGP: CSR 1** **MIP: -**	**Assessment of implementation of 2019 CSRs** **February 2020**	**2020 CSRs** **SGP: CSR 1** **MIP: -**
	1. Ensure that the nominal growth rate of net primary government expenditure does not exceed 4,1 % in 2020, corresponding to an annual structural adjustment of 0,6 % of GDP. Ensure effective supervision and the enforcement of the anti-money laundering framework. *Split into Sub-CSRs*	**No overall assessment of CSR 1.**	1. Take all necessary measures, in line with the general escape clause of the Stability and Growth Pact, to effectively address the COVID-19 pandemic, sustain the economy and support the ensuing recovery. When economic conditions allow, pursue fiscal policies aimed at achieving prudent medium-term fiscal positions and ensuring debt sustainability, while enhancing investment. Improve the accessibility and resilience of the health system, including by addressing the shortages of health workers, strengthening primary care and ensuring the supply of critical medical products.
	• Ensure that the nominal growth rate of net primary government expenditure does not exceed 4.1% in 2020, corresponding to an annual structural adjustment of 0.6% of GDP.	No assessment of compliance with the Stability and Growth Pact.	
	• Ensure effective supervision and the enforcement of the anti-money laundering framework.	**Limited Progress** was achieved in ensuring effective supervision and the enforcement of the anti-money laundering framework. Finantsinspektsioon took a number of steps against non-compliant credit institutions. However, its anti-money laundering supervisory capacity remains limited both in terms of human resources and tools. This hampers its capacity to carry out effective supervision. A risk-based approach to supervision has not yet been fully implemented. As the introduction of legislation to raise sanction levels has been delayed and is not yet in place, fines continue to be neither effective, nor proportionate or dissuasive. This hampers the deterrent effect of supervisory measures, as shown by recent cases. Progress as regards enforcement also remains limited. Prosecutions and convictions in money laundering cases remain limited. The exchange of information between the Financial Intelligence Unit and law enforcement authorities is also seldom proactive.	
	2. Address skills shortages and foster innovation by improving the capacity and labour market rele-	**Some Progress.**	

	vance of the education and training system. Improve the adequacy of the social safety net and access to affordable and integrated social services. Take measures to reduce the gender pay gap, including by improving wage transparency. *Split into Sub-CSRs*		2. Strengthen the adequacy of the social safety net, including by broadening the coverage of unemployment benefits.
	• Address skills shortages and foster innovation by improving the capacity and labour market relevance of the education and training system.	**Some Progress** was made to improve the labour market relevance of both higher and vocational education. The performance-based funding system of universities and incentives to increase enrolments in certain study fields are helping to align skills supply to labour demand. The forecasting system OSKA has been evaluated. The results of the evaluation will be used to make the skills supply match the labour market demand at each level of the education and training system. A number of regulations helping implement the recommendation entered into force since June 2019, notably a regulation assessing the quality of the conditions and procedure for vocational education on the principles, conditions and procedure for support for the activities of vocational education institutions and an amendment to the regulation on the implementation procedure for apprenticeships.	
	• Improve the adequacy of the social safety net and access to affordable and integrated social services.	**Some Progress** was made in improving the adequacy of the social safety net. Since April 2020, the base amount of pension will be increased by €7 in addition to the annual pension increase from indexation of €38. The changes to the second pillar are expected to reduce the future sustainability and adequacy of pensions. Annual increases from indexation took place for subsistence benefit, work ability allowance, unemployment allowance, and unemployment insurance benefit. As of 2020, disabled children's benefits will be increased two- to threefold depending on the level of disability to maximum €241 (from €80.55 in 2019). The changes in the first pillar pension formula will take effect as of 2021 and will address the pension adequacy of low-wage earners. Limited progress was	

		made in providing good quality and affordable social services. There is an agreement on the concept regarding the financing and management model for long-term care services. However, a new framework for integrated provision of social and healthcare services has yet to be designed and implemented. Some measures have been taken: for example, care homes have been made more energy efficient and more accessible; social transport improved and a dementia competence centre has developed.	
	• Take measures to reduce the gender pay gap, including by improving wage transparency.	**Some Progress.** As of July 2020, paternal leave will increase from 10 days to 30 days. As of July 2020, the use of parental leave period will be flexible for the first three years of a child's life. Estonia is developing information technology tools to help employers to increase pay transparency and is running a research project to address the unexplained part of the gender pay.	
	3. Focus investment-related economic policy on sustainable transport and energy infrastructure, including interconnections, on fostering research and innovation, and on resource and energy efficiency, taking into account regional disparities.	**Limited Progress.** R&D investments by the private sector have remained low and have decreased further over the last years to 0.59% of GDP in 2018. Regarding investment in energy infrastructure, Estonia has made substantial progress, as the implementation of the Baltic interconnection project is proceeding as expected. Estonia has made some progress with regards to investment in energy efficiency, but improving access of low and medium income households to finance could facilitate further improvements. Estonia has made limited progress with focusing its investment related economic policies on resource efficiency and no progress with respect to sustainable transport.	3. Front-load mature public investment projects and promote private investment to foster the economic recovery. Focus investment on the green and digital transition, in particular on digitalisation of companies, research and innovation, clean and efficient production and use of energy, resource efficiency, and sustainable transport, contributing to a progressive decarbonisation of the economy. Support the innovation capacity of small and medium-sized enterprises, and ensure sufficient access to finance.
			4. Step up the efforts to ensure effective supervision and enforcement of the anti-money-laundering framework.

IE	**2019 CSRs** **SGP: -** **MIP: CSR 1, 3**	**Assessment of implementation of 2019 CSRs** **February 2020**	**2020 CSRs** **SGP: CSR 1** **MIP: CSR 1, 2, 4**
	1. Achieve the MTO objective in 2020. Use windfall gains to accelerate the reduction of the general government debt ratio. Limit the scope and number of tax expenditures, and broaden the tax base. Continue to address features of the tax system that may facilitate aggressive tax planning, and focus in particular on outbound payments. Address the expected increase in age-related expenditure by making the healthcare system more cost-effective and by fully implementing pension reform plans. *Split into Sub-CSRs*	**Limited Progress** (this overall assessment of country-specific recommendation 1 does not include an assessment of compliance with the Stability and Growth Pact).	1. Take all necessary measures, in line with the general escape clause of the Stability and Growth Pact, to effectively address the COVID-19 pandemic, sustain the economy and support the ensuing recovery. When economic conditions allow, pursue fiscal policies aimed at achieving prudent medium-term fiscal positions and ensuring debt sustainability, while enhancing investment. Improve accessibility of the health system and strengthen its resilience, including by responding to the health workforce's needs and ensuring universal coverage for primary care.
	• Achieve the MTO in 2020. Use windfall gains to accelerate the reduction of the general government debt ratio.	No assessment of compliance with the Stability and Growth Pact.	
	• Limit the scope and number of tax expenditures, and broaden the tax base.	**Limited Progress.** Recent revenue measures are not meaningfully contributing to broadening the tax base. The main revenue-raising measures in Budget 2020 include an increase in the carbon tax rate, an increase in the stamp duty on non-residential property and several anti-avoidance measures. Some measures introduced for limiting aggressive tax planning practices may help broadening the tax base by closing existing loopholes. Some measures included in the 2002 Budget even broaden the scope for tax expenditure and narrow the tax base. These include increases in certain tax credits, an extension of the Help-to-Buy scheme and higher capital acquisition tax allowances.	
	• Continue to address features of the tax system that may facilitate aggressive tax planning, and focus in particular on outbound payments.	**Limited Progress.** Aside from the transposition of EU Directives in this area, there are some additional reforms, such as the extension of transfer pricing rules to non-trading transactions and to SMEs, however their effectiveness in addressing the issue of aggressive tax planning remains to be seen.	
	• Address the expected increase in age-related expenditure by making the healthcare system more cost-effective	**Limited Progress.** Despite some measures to increase the cost-effectiveness of healthcare, expenditure has continued to increase rapidly. The	

	and by fully implementing pension reform plans.	ambitious Sláintecare reform provides a credible vision for making the health system universally accessible and sustainable. However, its implementation is endangered by the difficulties in improving budget management in the health system to avoid recurrent overspends. A Health Budgetary Oversight Group was established in 2019 with the aim of monitoring and helping control health spending and staffing numbers within the budget allocation, and to act as an early warning mechanism for any variances. The Roadmap for Pension Reform, published in 2018, aims to address the long term sustainability of the state pension system. However, the envisaged reforms have not yet been finalised. The 2020 Budget has not reported on any new measures to address these issues.	
	2. Provide personalised active integration support and facilitate upskilling, in particular for vulnerable groups and people living in households with low work intensity. Increase access to affordable and quality childcare. *Split into Sub-CSRs*	**Some Progress.**	2. Support employment through developing skills. Address the risk of digital divide, including in the education sector. Increase the provision of social and affordable housing.
	• Provide personalised active integration support and facilitate upskilling, in particular for vulnerable groups and people living in households with low work intensity.	**Some Progress.** The share of people aged 0-59 living in households with very low work intensity is falling steadily (from 23.9% in 2013 to 13.1% in 2018), although it is still well above the EU average (8.8%). Measures taken include developing a revised activation framework with a particular focus on improving the progression to employment of vulnerable, inactive individuals by the Department of Employment Affairs and Social Protection and the launching of the Social Inclusion and Community Activation Programme (2018-2022) which provides funding to tackle poverty and social exclusion. Ireland's latest review of the skills needs of the green economy by the Expert Group on Future Skills Needs (Expert Group on Future Skills Needs, 2010) dates back to 2010 and is now out of date. The Climate Change Advisory Council has already flagged skill shortages in the housing sector, but	

		others are expected to arise as the climate and energy transition progresses. Measures have been taken to increase basic and advanced levels of digital skills, but further efforts would be needed. Only a low percentage of the population has basic digital skills, which might hinder their active participation in a society increasingly reliant on digital tools. Providing workers with the skills required, including digital and those for a smooth and just transition to a climate neutral economy, would require investing more in education and training.	
	• Increase access to affordable and quality childcare.	**Substantial Progress.** Participation in early childhood education and care from age three is now well above the EU average (93.1% in 2018), and participation in formal childcare of those below three years (34.4%) is at around the EU average. At the same time, the share of children aged less than three years in formal childcare for 30 hours or more (at 10.6%) is lower than the EU average (17.2%). Limited availability of formal childcare in Ireland affects low-income families to a greater extent. For them, net childcare costs as a percentage of disposable income were among the highest in 2018. Recently launched programmes (National Childcare Scheme, Early Learning and Care Programme, First 5) supporting predominantly low-income families in reconciling work and care are likely to be effective in increasing access to affordable and quality childcare, as well as improving female labour market participation rates in the coming years.	
	3. Focus investment-related economic policy on low carbon and energy transition, the reduction of greenhouse gas emissions, sustainable transport, water, digital infrastructure and affordable and social housing, taking into account regional disparities. Implement measures, including those in the Future Jobs strategy, to diversify the economy and improve the productivity of Irish firms — SMEs in particular — by using more direct funding instruments to stimulate research and innovation and by reducing regulatory barriers to entrepreneurship.	**Some Progress.**	3. Continue to provide support to companies, in particular SMEs, especially through measures ensuring their liquidity. Front-load mature public investment projects and promote private investment to foster the economic recovery. Focus investment on the green and digital transition, in particular on clean and efficient production and use of energy, sustainable public transport, water supply and treatment, research and innovation and digital infrastructure.

	Split into Sub-CSRs		
	• Focus investment-related economic policy on low carbon and energy transition, the reduction of greenhouse gas emissions,	**Some Progress.** Some Progress Ireland adopted the Climate Action Plan 2019, which represents a major step towards more ambitious policies and measures to advance in the transition towards a climate neutral economy. The plan should help steer public, business and household investment towards low greenhouse gas projects. However, the impact of the plan on actual investment decisions will materialise fully only once the implementation of the range of measures and policies progresses over the coming years. The increase in the carbon tax to €26 per ton and the stated intention to increase the tax to €80 per ton by 2030 also sends a positive price signal. In turn, the decision to raise the shadow price of carbon in the Public Spending Code will enable Ireland to better integrate climate impacts in public investment decisions. Work also continues towards the adoption of a new Renewable Electricity Support Scheme. The National Development Plan 2018-2027 commits around €30 billion to address the climate and energy transition, including a substantial envelope for sustainable transport. However, the plan and the envelope dedicated to climate action will not be updated in light of the Climate Action Plan. A first call for applications under the €500 million Climate Action Fund led to the selection of seven projects that will receive €77 million of financial support. Ireland has not adequately assessed so far the (private and public) investment needs related to the transition towards a climate neutral economy, though this is important for the design of policies and measures.	
	• sustainable transport,	**Some Progress.** A very substantial increase in public clean transport investment is still needed to ease congestion and reduce carbon emissions. The return to economic growth and the sparse spatial distribution of the population has led to a high share of workers commuting daily from outside the main cities. This has aggravated congestion in recent years and resulted in increasing CO2 emissions and costs. While the share of passengers using trains or	

		buses increased by 0.8pps to 17.4% in 2017, the fleet of buses and trains is still highly reliant on diesel engine. The National Development Plan 2018-2027 has committed to promote urban compact growth, to transit to low emission buses fleets and to electrify partially the Dublin Commuter Train network. This, together with other key clean public transport projects proposed in the Plan, will require increasing investment in public transport by around 90% with respect to the previous decade. While in 2018 and 2019, investment in public transport has increased by 20% with respect to the two previous years, its share with respect to total transport investment has remained relatively flat. Rapidly moving key public transport projects from the project and planning phase to construction might help reduce emissions and congestion costs more rapidly.	
	• water,	**Some Progress.** Significant investment needs remain outstanding in the water and wastewater sectors as very high leakage rate in its water supply systems persists and country breaches the requirements of the Urban Waste Water Treatment Directive (only 42% of the wastewater generated by large urban areas was treated at complying plants).To address it, the Government has approved an investment plan to support the country's operation, repair and upgrading of the country's water and wastewater infrastructure. The amount foreseen is significant and appears to be sufficient, in order to cover the needs in the sector, as identified both by the national authorities and an OECD study about to be published, and allow Ireland to reach compliance with the respective legal requirements.	
	• digital infrastructure	**Some Progress.** Significant investments have been made in digital infrastructure and the public-funded part of the National Broadband Plan has become ready to start in 2019.	
	• and affordable and social housing, taking into account regional disparities.	**Some Progress.** Even though social home delivery has accelerated since 2015, there were still 68,000 households on social housing waiting lists and	

		more than 10,000 homeless people in Ireland in July 2019. Policy measures to increase the supply of social housing are in place but their effectiveness is still limited. Rebuilding Ireland, the Government's 6-year action plan seeks to meet the housing needs of 138,000 households. This will be delivered through the provision of 50,000 new social housing units by 2021, through build, acquisition and leasing programmes, and supporting 88,000 households through a housing assistance payment and a rental accommodation scheme. As of Q2 2019, the delivery has slightly exceeded its targets in each year of Rebuilding Ireland. If implementation continues according to plans, Rebuilding Ireland will provide social housing to over 73% of households on the current waiting list.	
	• Implement measures, including those in the Future strategy, to diversify the economy and improve the productivity of Irish firms - small and medium enterprises in particular - by using more direct funding instruments to stimulate research and innovation	**Some Progress.** Enterprise Ireland supports Collaborative Innovations between industry and third level institutions (Technology Gateways), in-company R&D projects, participation in Technology Centres and development of Knowledge Transfer Ireland while Call 2 under the Disruptive Technology Innovation Fund (DTIF) supports 16 projects with €65 million to 2022 for a wide range of activities. In addition, Phase 2 funding for Science Foundation Ireland supports six Science Foundation Ireland (SFI) Research Centres with €230 which is matched by industry. However, although public research funding is increasing in absolute terms, it is still below levels in earlier years and Ireland is unlikely to achieve its R&D intensity target of 2.5% of GNP within the timeframe of 2020. It also remains the case that the bulk of public support for R&I in firms is through the Research and Development tax credit, rather than direct support, although adjustments in Budget 2020 target the tax credit more at micro and small companies.	
	• and by reducing regulatory barriers to entrepreneurship.	**Some Progress.** While the Retail Planning Guidelines have not been reviewed, the Irish Authorities have taken some steps to address barriers to opening new shops by setting up the new Planning Regulator and implementing initiatives to	

		make city centres more attractive using an Urban Regeneration Fund. The tackling of barriers in the market for legal services lacks ambition and is much delayed. Since the adoption of the Legal Services Regulation Act of 2015, restrictions remain in place in the provision of legal services, hampering competition and thus increasing legal costs, to the detriment of small businesses in particular. Implementation of the Act is ongoing with preparatory work and public consultations, but concrete measures are yet to materialise.	
			4. Broaden the tax base. Step up action to address features of the tax system that facilitate aggressive tax planning, including on outbound payments. Ensure effective supervision and enforcement of the anti-money-laundering framework as regards professionals providing trust and company services.

EL	<u>2019 CSRs</u> SGP: - MIP: CSR 1, 2	<u>Assessment of implementation of 2019 CSRs</u> February 2020	<u>2020 CSRs</u> SGP: CSR 1 MIP: CSR 1, 2, 3, 4
	1. Achieve a sustainable economic recovery and tackle the excessive macroeconomic imbalances by continuing and completing reforms in line with the post-programme commitments given at the Eurogroup of 22 June 2018.	**Some Progress.** The implementation of this CSR is monitored under enhanced surveillance. Greece has taken the necessary actions to achieve all specific reform commitments for mid-2019 and efforts towards meeting the end-2019 commitments are ongoing.	1. Take all necessary measures, in line with the general escape clause of the Stability and Growth Pact, to effectively address the COVID-19 pandemic, sustain the economy and support the ensuing recovery. When economic conditions allow, pursue fiscal policies aimed at achieving prudent medium-term fiscal positions and ensuring debt sustainability, while enhancing investment. Strengthen the resilience of the health system and ensure adequate and equal access to healthcare.
	2. Focus investment-related economic policy on sustainable transport and logistics, environmental protection, energy efficiency, renewable energy and interconnection projects, digital technologies, R&D, education, skills, employability, health, and the renewal of urban areas, taking into account regional disparities and the need to ensure social inclusion. *Split into Sub-CSRs*	**Some Progress.** In terms of horizontal investment-conducive economic policies, Greece has taken important steps. Since the adoption of the CSR, the government has adopted several pieces of legislation to foster the transition to a 'digital state' and to promote private investment, notably through the Development Law of last October. The latter paved the way for a streamlining of the investment licencing procedures and introduced changes in spatial planning to accelerate major investment projects. The law also aims to increase clarity and transparency on land use rules to investors through the introduction of a 'Single Digital Map'. Meanwhile, in the area of land use, reforms are advancing with the completion of forest maps for nearly 95% of the country and continued work in cadastral mapping, while in the area of justice, reforms have been slow overall. Efforts to fight corruption are ongoing. The authorities have also taken steps towards a coordinated approach to promoting the outward orientation of the Greek economy and attracting foreign investment, and have greatly strengthened momentum in the privatisation process that could have a positive impact on investment. In quantitative terms, investment appears to be slowly recovering following a protracted contraction period. During the first half of 2019, investment	2. Mitigate the employment and social impacts of the COVID-19 crisis, including by implementing measures such as short-time work schemes and ensuring effective activation support.

		increased by a mere 0.7%, as compared to an average 4.7% in the euro area. In the second quarter of 2019, it remained broadly flat (-0.1%) compared to the same period last year. Looking backwards, investment (as a share of GDP) fell sharply during the crisis years 2007-2014 and bottomed out only in 2015 to reach 11.1 % of GDP in 2018. In what follows, the analysis reviews public investment trends for the priority areas identified in the second CSR.	
	• Focus investment-related economic policy on sustainable transport and logistics,	**Limited Progress.** According to the Global Competitiveness Report 2019, Greece ranks 39th in terms of transport infrastructures, out of 141 countries assessed and 18th among EU countries. Meanwhile, the share of energy from renewable resources used for transport accounted for only 1.7% in 2016, against a 10% target set for 2020. Greece also ranks 42nd in logistics, according to the Logistics Performance Indicator of the World Bank. Investment in transport averaged 1.7% of GDP in the first three quarters of 2019, having increased since 2018 (1.4% of GDP), but remain below the euro area average (2% of GDP). Moreover, despite sizeable EU financing, the country's main railway axis Patras-Athens-Thessaloniki remains incomplete, hindering the multimodality of the transport system and negatively affecting the transport cost of goods and thus price competitiveness. The authorities have prepared, with the support of the European Commission and the European Investment Bank, a National Transport Master Plan that, among others, sets the framework for investments in transport infrastructure. Meanwhile, a number of large investment projects are delayed, including the construction of the Thessaloniki metro system, the expansion of the Athens metro system, and the completion of railway sections.	
	• environmental protection, energy efficiency, renewable energy and interconnection projects,	**Some Progress.** In the field of environmental protection, Greece suffers from serious and long-standing inefficiencies, notably in the management of solid waste and water waste. The situation in Attica, which produces half of total solid waste in the country, is of particular concern.	

		Investment in environmental protection is relatively low and Greece runs the risk of not meeting the EU-wide recycling target (50%) by 2020. A number of investment projects, co-financed by the EU, are underway to improve wastewater treatment in Western Attica and in the municipality of Marathonas and to improve waste management in Peloponnese. Meanwhile, law 4643/2019 introduced amendments regarding the development of installations for electric vehicles, and an inter- ministerial committee has been set up to design by June 2020 a strategic plan for the development of electro-mobility in Greece. The authorities are also currently revising, as envisaged by the EU legislation, their national and regional Waste Management Plans; their finalization is expected by July 2020. On energy-related investments (energy efficiency, renewable energy and interconnection projects), some progress has been made. In December 2019, the authorities submitted the revised 2021-2030 National Energy and Climate Plan that sets out long-term goals and strategies in these areas and provides the basis for further investment. On energy efficiency, Greece is on track to meet its 2020 goals and, by 2019, investments co-financed by the EU had improved energy efficiency for 19,100 households. Programmes such as the 'Energy saving at home' and 'Electra' will further improve energy efficiency for household and public buildings (law 4643/2019 introduced amendments on the program ELEKTRA allowing energy service companies to participate in the development and financing of energy upgrading projects). On renewables, law 4643/2019 introduced amendments to facilitate large investment projects, including the construction of hybrid plants in non-interconnected islands, while the government has announced further measures to streamline the investment-licensing framework in the area of renewable energy sources.	

		On interconnection projects, the National Energy and Climate Plan provides a timeline for non-interconnected islands; the first phase of a major project connecting Crete to the mainland electricity transmission grid is underway, the construction of the Crete-Peloponnese interconnection is expected to be completed in 2020, and the interconnection of West Cyclades islands is scheduled for 2023.	
	• digital technologies,	**<u>Some Progress.</u>** Greece has one of the least advanced digital economies in the EU. Integration of information and communication technologies in Greek businesses is low, the percentage of small and medium-sized enterprises selling online remain at 11% and their e-commerce turnover stays low at 4%. Investments in information communication technology (as a share of total investment) increased with some fluctuations in the first two quarters of 2019 compared to the same quarters of 2017, but rose slightly as a share of GDP. In terms of policies, the authorities are working on a new national strategy ('Digital Bible') that, among others, will include a pipeline of IT investment projects for the entire public administration. Meanwhile, the authorities are taking steps as regards important projects (creation of a unified platform for electronic services, introducing digital identity cards for all citizens, developing the infrastructure on 5G networks and increasing ultrafast broadband coverage).	
	• Research and development,	**<u>Some Progress.</u>** Despite steady increases in total spending on research and development since 2010, Greece is still lagging behind the euro area average (1.18% for Greece in 2018 compared to 2.11% for EU). Nonetheless, there are persisting weaknesses, with the loss of skilled human capital remaining a major challenge. Despite a relative high engagement of businesses in innovative activities, the production of academic research is not appropriately oriented to support the productive sector, as reflected by the low number of patents. Further, large disparities in innovation capacities remain, due to	

		lack of robust governance, including low administrative capacity and weak coordination mechanisms. In December 2019, the authorities completed the evaluation of 2,912 proposals submitted in the context of the flagship call "Research-Create-Innovate". Overall, the budget of all announced calls regarding research and development has reached €877 million.	
	• Education,	**Limited Progress.** Public expenditure in education is among the lowest in the EU and has contracted in recent years. Nevertheless, with the help of the European Social Fund, investments have taken place, among others, to reduce early school leaving, expand early childhood education, upgrade the vocational education and training system, expand dual learning, and reform higher education. In term of policy developments, law 4653/2020 allowed for increased independence of the Hellenic Authority of Higher Education and it helped standardise university evaluations, which could, in turn, facilitate performance-based funding, and increase efficiency.	
	• Skills,	**Limited Progress.** The number of companies that provide training and vocational programmes to develop and/or upgrade the information and communication technology skills of their personnel increased slightly in 2019 (from 14% to 15%), but remains well below the euro area average (25%). Participation of adults (aged 25-64) in education and training stood at 4.5% in 2018, one of the lowest in the euro area, where the average was 11.5%.	
	• Employability,	**Limited Progress.** Public expenditure on active labour market policies accounted for 0.18% of GDP in 2017, less than in most other EU member states. Moreover, the impact of policies on employability has been hampered by a flawed delivery model, the reform of which has started only recently, by a lack of monitoring and evaluation that would allow for design improvements, as well as by low quality of some training programmes that has not yet been sufficiently addressed. On the positive side, investment in the programme of childcare vouchers has increased with a view to facilitating labour market	

		participation of women. Meanwhile, the 'Post-Lyceum Year - Apprenticeship Class in Greece' programme, providing participants with better employment prospects, has expanded with steady increases in the number of apprentices, areas of specialisation and number of schools.	
	• Health,	**Limited Progress.** Largely as a legacy of the crisis, few investments took place in the health sector between 2010 and 2017. In particular, investments in health accounted for 0.1% of GDP in 2017, while expenditure on health decreased with some fluctuations, until it reached just over 5.2% in 2017. Meanwhile, EU financing though the European Social Fund has contributed to the reform of primary health care and the rolling out of a network of local healthcare units (TOMYs) to strengthen access to primary healthcare. Around 130 units were in operation by the end of 2019.	
	• And the renewal of urban areas, taking into account regional disparities and the need to ensure social inclusion.	**Limited Progress.** Some investments have been made or are planned to promote equal opportunities and facilitate social inclusion of marginalized groups in disadvantages urban areas. As regards social inclusion, public expenditure for family support or housing was considerably below the EU average in 2017. Investment in minimum income support has decreased, as the parameters of the scheme have not been updated since its introduction in 2017. On the other hand, Greece has invested, with support from the European Social Fund, in expanding the network of community centres, which facilitate citizens' access to social services at local level, and it has introduced a means-tested housing benefit in 2019.	
			3. Swiftly deploy measures to provide liquidity and continued flow of credit and other financing to the economy, focusing in particular on SMEs most affected by the crisis. Front-load mature public investment projects and promote private investment to foster the economic recovery. Focus investment on the green and digital transition, in particular on safe and sustainable transport and logistics, clean

			and efficient production and use of energy, environmental infrastructure and very-high-capacity digital infrastructure and skills. Improve the effectiveness and digitalisation of the public administration and promote digital transformation of businesses.
			4. Continue and complete reforms in line with the post-programme commitments given at the Eurogroup of 22 June 2018 to restart a sustainable economic recovery, following the gradual easing-up of constraints imposed because of the COVID-19 outbreak.

ES	**2019 CSRs** **SGP: CSR 1** **MIP: CSR 1, 2, 3, 4**	**Assessment of implementation of 2019 CSRs** **February 2020**	**2020 CSRs** **SGP: CSR 1** **MIP: CSR 1, 2, 4**
	1. Ensure that the nominal growth rate of net primary government expenditure does not exceed 0,9 % in 2020, corresponding to an annual structural adjustment of 0,65 % of GDP. Take measures to strengthen the fiscal and public procurement frameworks at all levels of government. Preserve the sustainability of the pension system. Use windfall gains to accelerate the reduction of the general government debt ratio. *Split into Sub-CSRs*	**Limited Progress** (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact).	1. Take all necessary measures, in line with the general escape clause of the Stability and Growth Pact, to effectively address the COVID-19 pandemic, sustain the economy and support the ensuing recovery. When economic conditions allow, pursue fiscal policies aimed at achieving prudent medium-term fiscal positions and ensuring debt sustainability, while enhancing investment. Strengthen the health system's resilience and capacity, as regards health workers, critical medical products and infrastructure.
	• Ensure that the nominal growth rate of net primary government expenditure does not exceed 0.9% in 2020, corresponding to an annual structural adjustment of 0.65% of GDP.	No assessment of compliance with the Stability and Growth Pact.	
	• Take measures to strengthen the fiscal framework	**No Progress.**	
	• and public procurement frameworks at all levels of government.	**Limited Progress.** Further progress on establishing an effective new governance structure for public procurement has been modest. Almost two years after the entry into force of the law on public sector contracts, the new governance structure is still not fully functioning. The elaboration of the Public Procurement Strategy foreseen for is delayed.	
	• Preserve the sustainability of the pension system.	**No Progress.** Departures from the 2013 pension reform has been made on an ad-hoc basis through Royal Decree Laws. In particular, pensions have been revalued by inflation (CPI) rather than the Index of Pension Revaluation, resulting in a more rapid increase in pension expenditure. Moreover, the sustainability mechanism, which was supposed to kick-in in 2019 and which links initial pension levels to the evolution of life expectancy, was postponed to 2023.	
	• Use windfall gains to accelerate the reduction of the general government debt ratio.	The compliance assessment with the Stability and Growth Pact will be included in Spring 2020, when final data for 2019 will be available.	

	2. Ensure that employment and social services have the capacity to provide effective support. Foster transitions towards open-ended contracts, including by simplifying the system of hiring incentives. Improve support for families, reduce fragmentation of national unemployment assistance and address coverage gaps in regional minimum income schemes. Reduce early school leaving and improve educational outcomes, taking into account regional disparities. Increase cooperation between education and businesses with a view to improving the provision of labour market relevant skills and qualifications, in particular for information and communication technologies. *Split into Sub-CSRs*	**Limited Progress.**	2. Support employment through arrangements to preserve jobs, effective hiring incentives and skills development. Reinforce unemployment protection, in particular for atypical workers. Improve coverage and adequacy of minimum income schemes and family support, as well as access to digital learning.
	• Ensure that employment services have the capacity to provide effective support.	**Some Progress.** During 2019 the hiring of the 3 000 new staff by the regional public employment services (PES) started, as envisaged in the 2019-2021 Action Plan for Youth Employment and the 2019-2021 ReincorporaT plan for the long-term unemployed. Both plans contain positive features to improve the effectiveness and outreach of PES and active labour market policies (ALMP), and have been complemented with other measures (e.g., the 2019-2021 call for proposals corresponding to subventions for training courses for employees). Measures to provide individualised services to jobseekers, including through profiling and IT tools, are slowly being developed. Average spending on ALMP measures per unemployed person remains low and only 1 in 4 unemployed use PES for job search. Large regional disparities remain concerning the performance of regional PES.	
	• Ensure that social services have the capacity to provide effective support.	**Some Progress.** Coordination between employment and social services continues to be enhanced. Two new working groups were created in 2019 as part of the Social Inclusion Network (RIS), while three pilot projects to improve the coordination started in three regions. Further political involvement in some regions is allowing faster progress. The deployment of the Universal Social Card has	

		continued in 2019 but its use at regional level remains limited.	
	• Foster transitions towards open-ended contracts,	**Limited progress.** Spain continues to have the highest share of employees on temporary contracts in the EU, despite the increase of open-ended contracts among newly created jobs. The strengthened capacity of labour inspectorates, along with the action plans in the frame of the Master Plan for Decent Work, are contributing to the conversion of fixed-term contracts in open-ended contracts. However, temporary contracts are widespread even in sectors with little seasonality (including the public sector), and their duration is increasingly shorter (50 days on average during the year 2019, with 30% of all temporary contracts shorter than one week). Measures such as the increase of the social security costs for contracts shorter than 6 days are not having a clear effect yet. The organisation of recruitment competition to reduce fixed-term employment in the public sector sped up in 2019, but the share of public sector employees on temporary contract remains well above the 8% target set for the end of the 2020 recruitment competitions.	
	• including by simplifying the system of hiring incentives.	**Limited Progress.** Hiring incentives account for around 40% of total spending on ALMP, despite the lack of evidence on the positive effects of these subsidies for promoting quality employment. The Government removed some hiring incentives at the end of 2018, such as the "Contract for support to entrepreneurs". However, the plans for the young and the long-term unemployed contain new forms of hiring incentives. The ongoing spending review on hiring incentives carried out by AIReF (due by mid-2020) may provide helpful inputs on avenues for reform.	
	• Improve support for families,	**Limited Progress.** The overall impact of social transfers (other than pensions) in reducing child poverty in Spain remains the lowest in the EU. This partly reflects the low coverage and adequacy of family benefits. Means-tested child benefits target only the most deprived (around one in two children at risk of poverty or social exclusion do not receive	

		it) and tax allowances are of limited benefit for low-to-medium income families, which determines a regressive pattern of the financial support to families with children. Steps taken in 2019 to fight child poverty are an improvement but do not match the extent of the challenge. The rise in the child benefit for poor families is the first in 18 years and is having limited effects, as it is not helping to reduce the risk of poverty and is having a very limited impact on the reduction of the poverty gap.	
	• reduce fragmentation of national unemployment assistance	**<u>Limited Progress.</u>** There has been no further progress in this area during 2019. Political deadlock has postponed the government plans to streamline the multiple schemes of non-contributory unemployment assistance at national level, while the announced development of a subsistence minimum income is on hold. The report commissioned to AIReF and published in June 2019 offers interesting insight that may help outline these plans.	
	• and address coverage gaps in regional minimum income schemes.	**<u>Limited Progress.</u>** The take up of regional minimum income schemes remains very limited in average, estimated at around 20% of potential beneficiaries, although some regions are showing positive results. Amounts, and consequently impact on poverty reduction, present large regional disparities, and three regions still make the right to a means-tested minimum income conditional on budget availability. The issue of portability of the benefits across regions remains unsolved.	
	• Reduce early school leaving	**<u>Limited Progress.</u>** Early school leaving (ESL) rate remains the highest in the EU and regional disparities persist, with 20 pps difference between the best and the worst performing regions. The ESL rate keeps decreasing but at a slower pace than in previous years. Measures adopted try to mitigate the challenge but are of limited scope.	
	• and improve educational outcomes, taking into account regional disparities.	**<u>Limited Progress.</u>** Levels of basic skills measured through the 2018 PISA survey have worsened slightly, amid significant differences across regions. Grade repetition in primary and lower secondary school remains very high.	

	• Increase cooperation between education and businesses with a view to improving the provision of labour market relevant skills and qualifications,	**Some Progress.** Cooperation between education institutions and business remains weak but improving, in a context of strong skills mismatches. The new Strategic Plan for Vocational Education and training (VET) may play a role in reducing skills mismatches and early school leaving, once fully implemented. It should help in making VET more responsive to the needs of the productive system, by expanding the range of courses, increasing the number of places and strengthening the system of distance learning. The business sector's role in the design of qualifications is being reinforced.	
	• in particular for information and communication technologies.	**Some Progress.** The recently adopted 2019-2022 VET Strategy proposes including a module on digitisation in all VET programmes at all levels. It also intends to ensure that the VET programmes cover the needs of the new digital sectors. Work is underway on a Digital Skills National Strategy. Basic digital skills levels remain below the EU average and the proportion of ICT specialists represents a lower percentage of the workforce compared to the EU average. Female ICT specialists account for a mere 1.1% of total female employment.	
	3. Focus investment-related economic policy on fostering innovation, resource and energy efficiency, upgrading rail freight infrastructure and extending electricity interconnections with the rest of the Union, taking into account regional disparities. Enhance the effectiveness of policies supporting research and innovation. *Split into Sub-CSRs*	**Limited Progress.**	3. Ensure the effective implementation of measures to provide liquidity to SMEs and the self-employed, including by avoiding late payments. Front-load mature public investment projects and promote private investment to foster the economic recovery. Focus investment on the green and digital transition, in particular on fostering research and innovation, clean and efficient production and use of energy, energy infrastructure, water and waste management and sustainable transport.
	• Focus investment-related economic policy on fostering innovation,	**Limited Progress.** Spain has made limited progress on increasing investment in research and innovation. Efforts to increase R&D investment by both large and small firms through improved public support for private investments have seen limited progress. The rationale of R&I policy initiatives is not always clear. Some of the new political initiatives/strategies (IA, Blue Economy, Start Up) lack a budget, coordination with existing strategies, and an assessment of their potential impact.	

	• resource efficiency	**Limited Progress.** Overall, Spain has not increased environmental investments in 2019. However, some good initiatives have been adopted or are under preparation. The first National Programme for Control of Air Pollution was approved by the Council of Ministers in September 2019. The Plan for Green Public Procurement in the central Administration for the period 2018-2025 was approved in December 2018; it has now to be implemented. A National Plan for Wastewater, Sanitation, Efficiency, Saving and Water reuse is under elaboration. The National Strategy on Circular Economy was prepared in 2018, but it has not been adopted yet.	
	• and energy efficiency,	**Some Progress.** Meeting the 2030 energy efficiency and consumption targets requires continued investments in energy efficiency, notably in buildings. Initiatives such as the National Plan for Energy Efficiency 2017-2020 and the National Fund for Energy Efficiency 2014-2020 can contribute to giving greater focus on investment in this area. In the building renovation sector, the State Plan for the Housing Sector 2018-2021 includes the improvement of energy efficiency in buildings through assistance and aid programs.	
	• upgrading rail freight infrastructure,	**Limited Progress.** Overall investments in rail transport infrastructure and in freight rail transport infrastructure have not increased in 2019.	
	• extending electricity interconnections with the rest of the Union, taking into account regional disparities.	**Some Progress.** New electricity interconnectors are under development between France and Spain (Bay of Biscay) and between Spain and Portugal. There has been some progress on ongoing projects, but further support is needed. Spain continues to be actively involved in regional fora to extend electricity interconnections with the rest of the EU.	
	• Enhance the effectiveness of policies supporting research and innovation.	**Limited Progress.** There has been limited progress on increasing the systematic use of evaluations of research and innovation policies. Some measures have been introduced to decrease red tape or to improve working conditions of researchers. Profound reforms to improve carriers of top researchers, to stimulate mobility and to promote jobs and carriers	

		for industrial-based researchers are still lacking. Reforms to improve collaboration between public research and private firms are still missing. Coordination between Autonomous Communities and the national government could still be improved.	
	4. Further the implementation of the Law on Market Unity by ensuring that, at all levels of government, rules governing access to and exercise of economic activities, in particular for services, are in line with the principles of that Law and by improving cooperation between administrations. *Split into Sub-CSRs*	**Limited Progress.**	4. Improve coordination between different levels of government and strengthen the public procurement framework to support recovery in an efficient manner.
	• Further the implementation of the Law on Market Unity by ensuring that, at all levels of government, rules governing access to and exercise of economic activities, in particular for services, are in line with the principles of that Law	**Limited Progress.** Some measures were taken to implement the Law on Market Unity with limited effect and progress is slow. The main measures are: a) the improvement of training for officials, b) awareness raising with publications on better market regulation, monthly publications on Market Unity, an improved web page, dissemination events, and c) the improvement of information and consolidation of doctrine.	
	• and by improving cooperation between administrations.	**Limited Progress.** Improving cooperation between national, regional and local authorities is relevant to make progress. Some measures have been implemented/initiated such as: a) fostering relations with the network of contact points for the Law on Market Unity, b) fostering relations with other departments within the national authorities, c) improving the procedures for mechanisms laid down in Article 26 of Law on Market Unity, d) cooperation with sectorial conferences through the preparation of notes and e) improved cooperation with the competition authority. In spite of these measures, progress is slow.	

FR	**2019 CSRs** **SGP: CSR 1** **MIP: CSR 1, 2, 3, 4**	**Assessment of implementation of 2019 CSRs** **February 2020**	**2020 CSRs** **SGP: CSR 1** **MIP: CSR 1, 3, 4**
	1. Ensure that the nominal growth rate of net primary expenditure does not exceed 1,2 % in 2020, corresponding to an annual structural adjustment of 0,6 % of GDP. Use windfalls gains to accelerate the reduction of the general government debt ratio. Achieve expenditure savings and efficiency gains across all sub-sectors of the government, including by fully specifying and monitoring the implementation of the concrete measures needed in the context of Public Action 2022. Reform the pension system to progressively unify the rules of the different pension regimes, with the view to enhance their fairness and sustainability. *Split into Sub-CSRs*	**Limited Progress** (this overall assessment of CSR1 does not include a compliance assessment of compliance with the Stability and Growth Pact).	1. Take all necessary measures, in line with the general escape clause of the Stability and Growth Pact, to effectively address the COVID-19 pandemic, sustain the economy and support the ensuing recovery. When economic conditions allow, pursue fiscal policies aimed at achieving prudent medium-term fiscal positions and ensuring debt sustainability, while enhancing investment. Strengthen the resilience of the health system by ensuring adequate supplies of critical medical products and a balanced distribution of health workers, and by investing in e-health.
	• Ensure that the nominal growth rate of net primary expenditure does not exceed 1,2 % in 2020, corresponding to an annual structural adjustment of 0,6 % of GDP.	No assessment of compliance with the Stability and Growth Pact.	
	• Use windfalls gains to accelerate the reduction of the general government debt ratio.	The compliance assessment with the Stability and Growth Pact will be included in Spring when final data for 2019 will be available.	
	• Achieve expenditure savings and efficiency gains across all sub-sectors of the government, including by fully specifying and monitoring the implementation of the concrete measures needed in the context of Public Action 2022.	**No Progress.** Although efficiency gains can be expected from its implementation, the contribution of 'Public Action 2022' to the objective of reducing public spending by more than 3 percentage points of GDP over the presidential term is not at all specified. The programme does not envisage either an upfront or a concurrent quantification of the expected savings and macroeconomic impacts. Although it formally and fully replaces annual spending reviews as of 2018, the implications of this programme on the size and composition of public spending is lacking. Moreover, when information on potential savings is available, the savings are limited and their trajectory over time is not mentioned in any detail. That said, some of the measures under	

		Public Action 2022 might actually imply an increase in spending.	
	• Reform the pension system to progressively unify the rules of the different pension regimes, with the view to enhance their fairness and sustainability.	**Limited Progress.** The pension reform, originally announced for 2019, has been postponed. The draft law was sent to the parliament in February and its adoption is now planned in 2020 for implementation as of 1 January 2022. This reform intends to introduce a universal point-based system, replacing the currently co-existing 42 pension regimes. According to announcements, the new system aims to calculate the pension rights over the whole career for all categories of workers. The government has engaged in a broad consultation with social partners and stakeholders to gather the broadest consensus possible. The first generation concerned by the reform would be those born in 1975. For those already in the current system, only the years contributed to after 2025 would be calculated under the new system. Social partners would be responsible for guaranteeing the financial balance of the pension system. The return to balance of the pension system should be reached in 2027.	
	2. Foster labour market integration for all job seekers, ensure equal opportunities with a particular focus on vulnerable groups including people with a migrant background and address skills shortages and mismatches. *Split into Sub-CSRs*	**Limited Progress.**	2. Mitigate the employment and social impact of the COVID-19 crisis, including by promoting skills and active support for all jobseekers.
	• Foster labour market integration for all job seekers, ensure equal opportunities with a particular focus on vulnerable groups including people with a migrant background	**Limited Progress** has been made to foster labour market integration and ensure equal opportunities. On labour market integration, a number of measures have been announced or formally adopted. Their scope remains however limited and their deployment or actual effects have yet to be assessed. The Public Employment Service (Pôle Emploi) strategy was renewed and signed in January 2020. It provides additional guidance means in favour of job seekers, and ensure a better match with employers' recruitment needs. Limited measures and additional means have been provided to ensure equal opportunities. Their level of ambition	

		still appear limited considering the significant challenges faced by vulnerable groups in terms of both educational outcomes and integration into the labour market. Halving the class size in the first two grades to all disadvantaged schools implemented in September 2019 will not benefit an estimated 70% of disadvantaged pupils, as it has not been rolled out in targeted schools. Measures specifically targeting migrants have been rolled out since March 2019 through the reform of the national integration programme for newcomers, but its actual implementation remains to be seen.	
	• and address skills shortages and mismatches.	**Some Progress** has been made in addressing skills shortages and mismatches in particular by implementing initial vocational education and training (VET) system reforms and improved access to lifelong learning. Access to lifelong learning through a revised, euro-based, personal training account granting increased rights to low- qualified and part-time workers is being enabled by the launching web-based application since November 2019. Free-of-charge targeted guidance, through the 'Conseil en evolution professionnelle', should be delivered at regional level. The quality and effect of the guidance on the use of the personal training account, particularly for more vulnerable people, needs further assessment. Limited progress has also been made addressing skills shortages. The main measures to address sectoral and macro-economic skills shortages are just at a preliminary stage, without any meaningful results for time being. For instance, several skills intelligence and forecasting exercises are being announced but have yet to be carried out.	
	3. Focus investment-related economic policy on research and innovation (while improving the efficiency of public support schemes, including knowledge transfer schemes), renewable energy, energy efficiency and interconnections with the rest of the Union, and on digital infrastructure, taking into account territorial disparities.	**Some Progress.**	3. Ensure the effective implementation of measures supporting the liquidity of firms, in particular for SMEs. Front-load mature public investment projects and promote private investment to foster the economic recovery. Focus investment on the green and digital transition, in particular on sustainable transport, clean and efficient production and use of

	Split into Sub-CSRs		energy, energy and digital infrastructures as well as research and innovation.
	Focus investment-related economic policy on research and innovation (while improving the efficiency of public support schemes, including knowledge transfer schemes),	**Limited Progress.** Some evaluations of the R&D tax incentive (Crédit d'Impôt Recherche) have been carried out and point to a limited impact on innovation. Additional impact studies, focused on macroeconomic aspects, are on-going. The Innovation and Industry Fund is not yet operational as pointed by the Court of Auditors. More incentives for researchers working in the public sector to collaborate with industry have been proposed in the PACTE Law. Overall, the R&D&I system in France remains very complex with numerous funding tools and structures.	
	renewable energy, energy efficiency and interconnections with the rest of the Union,	**Some Progress.** France has been at the forefront in adopting commitments to fight climate change. France is likely to achieve its 2020 target to reduce greenhouse gas emissions, but is projected to miss its target on renewables. However, additional investment needs were properly quantified and planned through the Pluriannual programming energy law. Regarding energy interconnections, new electricity interconnectors are under development between France and Spain.	
	and on digital infrastructure, taking into account territorial disparities.	**Some Progress.** The main policy tool to address regional disparities in digital infrastructure is the plan French ultrafast broadband Plan (France Très Haut Débit). It aims at covering the whole territory with ultrafast broadband (fiber-to-the-home for 2022) by fostering private investment and compensating the lack of projects in remote areas with public investment (for a total of €3.3 bn in public spending).	
	4. Continue to simplify the tax system, in particular by limiting the use of tax expenditures, further removing inefficient taxes and reducing taxes on production. Reduce regulatory restrictions, in particular in the services sector, and fully implement the measures to foster the growth of firms. *Split into Sub-CSRs*	**Some Progress.**	4. Continue to improve the regulatory environment, reduce administrative burdens for firms and simplify the tax system.

	• Continue to simplify the tax system, in particular by limiting the use of tax expenditures, further removing inefficient taxes and reducing taxes on production.	**Some Progress** has been made in simplifying the tax system, in particular by implementing successfully the ESSOC law and withholding personal income tax. The 2020 Budgetary Plan builds on previous efforts to eliminate low taxes and phase out or cut several tax expenditures. In addition, French authorities have also announced an evaluation programme of 70 tax expenditures for 2020-2023. However, no progress has been made to reduce taxes on production factors, despite having been repeatedly identified as being a risk bearing on France's competitiveness.	
	• Reduce regulatory restrictions, in particular in the services sector,	**Limited Progress.** On reducing regulatory restrictions, progress has been limited: regulatory restrictions were lifted in some areas but strengthened in others. Some competition-enhancing measures were adopted for the sale of automotive parts and driving schools under the LOM law and for complementary health insurance. Competition-enhancing measures were announced for other sectors (real estate property management (syndics), medical analysis laboratories, on-line sale of medicines, fintechs). The retail sector has been hit by additional restrictions on the period of sales (PACTE law), on promotion of food products (EGalim law), and on establishment of large shops (ELAN law).	
	• and fully implement the measures to foster the growth of firms.	**Substantial Progress.** The implementation of the PACTE law is well advanced. At the beginning of December 2019, 100 out of 137 measures were already implemented. The key measure to foster firms' growth (rationalisation of size-related regulatory thresholds and transition period) took effect on 1 January 2020.	

HR 	**2019 CSRs** **SGP: -** **MIP: CSR 1, 2, 3, 4**	**Assessment of implementation of 2019 CSRs** **February 2020**	**2020 CSRs** **SGP: CSR 1** **MIP: CSR 1, 2, 3, 4**
	1. Reinforce the budgetary framework and monitoring of contingent liabilities at central and local level. Reduce the territorial fragmentation of the public administration and streamline the functional distribution of competencies. *Split into Sub-CSRs*	**Limited Progress.**	1. Take all necessary measures, in line with the general escape clause of the Stability and Growth Pact, to effectively address the COVID-19 pandemic, sustain the economy and support the ensuing recovery. When economic conditions allow, pursue fiscal policies aimed at achieving prudent medium-term fiscal positions and ensuring debt sustainability, while enhancing investment. Enhance the resilience of the health system. Promote balanced geographical distribution of health workers and facilities, closer cooperation between all levels of administration and investments in e-health.
	• Reinforce the budgetary framework and monitoring of contingent liabilities at central and local level.	**Limited Progress.** The new Budget Act should improve both the short and medium term budgetary framework at central and local level and address vulnerabilities in the system of government guarantees, but it has still not been adopted.	
	• Reduce the territorial fragmentation of the public administration and streamline the functional distribution of competencies.	**Some Progress.** In December 2019, the Croatian parliament adopted a new legal framework regulating agency-type institutions and introducing a higher degree of homogeneity across the system. Territorial fragmentation at local government level remains a challenge.	
	2. Deliver on the education reform and improve both access to education and training at all levels and their quality and labour market relevance. Consolidate social benefits and improve their capacity to reduce poverty. Strengthen labour market measures and institutions and their coordination with social services. In consultation with the social partners, introduce harmonised wage-setting frameworks across the public administration and public services. *Split into Sub-CSRs*	**Some Progress.**	2. Strengthen labour market measures and institutions and improve the adequacy of unemployment benefits and minimum income schemes. Increase access to digital infrastructure and services. Promote the acquisition of skills.
	• Deliver on the education reform and improve both access to education and training at all levels and their quality and labour market relevance.	**Some Progress.** Croatia has started the incremental implementation of the curricular reform in all primary and secondary schools. In VET, the experimental programme 'Dual Education in VET' is being expanded. The adoption of occupation and qualification standards is proceeding slowly. Ongoing investments in Early Childhood Education and Care aims to increase availability and access.	

	• Consolidate social benefits and improve their capacity to reduce poverty.	**Limited Progress.** The authorities are in the process of establishing a categorisation and regular reporting mechanisms for the social benefits granted by the local government level. However, most policy measures are still at the preparatory stage.	
	• Strengthen labour market measures and institutions and their coordination with social services.	**Some Progress.** The package of Active Labour Market Policy measures has been refocused to make them more effective. The Croatian Employment Service has developed and is testing new IT tools aimed at improving the mediation and referrals. It will be crucial to establish good monitoring system in order to evaluate the outcomes.	
	• In consultation with the social partners, introduce harmonised wage-setting frameworks across the public administration and public services.	**Limited Progress.** The long-due legislation on civil-service wages, which aims to further harmonise wage setting across the central public administration (and at a later stage in the wider public sector) has been postponed, pending further analysis from an independent body.	
	3. Focus investment-related economic policy on research and innovation, sustainable urban and railway transport, energy efficiency, renewables and environmental infrastructure, taking into account regional disparities. Increase the administration's capacity to design and implement public projects and policies. *Split into Sub-CSRs*	**Limited Progress.**	3. Maintain measures to provide liquidity to SMEs and the self-employed. Further reduce parafiscal charges and restrictions in goods and services market regulation. Front-load mature public investment projects and promote private investment to foster the economic recovery. Focus investment on the green and digital transition, in particular on environmental infrastructure, sustainable urban and rail transport, clean and efficient production and use of energy and high-speed broadband.
	• Focus investment-related economic policy on research and innovation,	**Limited Progress.** Investment in R&D increased substantially, but its efficiency remains low and highly dependent on EU funds. Investment is focused towards 'close–to-market' initiatives run by bigger companies, leaving research activities underfunded.	
	• sustainable urban and railway transport,	**Some Progress.** Croatia signed several contracts for key railway projects in 2019 and opened the first new railway line in over 50 years. It made progress on expanding the TEN-T rail network but no significant progress on sustainable urban transport.	
	• energy efficiency, renewables and environmental infrastructure, taking into account regional disparities.	**Limited Progress.** Energy efficiency of private and public buildings improved in 2019. However, there have been delays in adopting the necessary legislation and the energy efficiency obligation scheme is	

		not yet fully operational. Despite advanced project selection, progress in the implementation of the water and waste infrastructural projects remains limited. Investment in wind and solar energy is hampered by administrative hurdles and by delays in putting in place the premium support scheme.	
	• Increase the administration's capacity to design and implement public projects and policies.	**Limited Progress.** The authorities established an institutional framework for strategic planning, also at the local level. However, it has not yet been implemented. The overarching National Development Strategy for 2030 has not yet been adopted. Inefficiencies resulting in limited administrative capacities have not been properly addressed either.	
	4. Improve corporate governance in State-owned enterprises and intensify the sale of such enterprises and non-productive assets. Enhance the prevention and sanctioning of corruption, in particular at the local level. Reduce the duration of court proceedings and improve electronic communication in courts. Reduce the most burdensome parafiscal charges and excessive product and services market regulation. *Split into Sub-CSRs*	**Limited Progress.**	4. Reinforce the capacity and efficiency of the public administration to design and implement public projects and policies at central and local levels. Improve the efficiency of the judicial system.
	• Improve corporate governance in State-owned enterprises and intensify the sale of such enterprises and non-productive assets.	**Limited Progress.** Croatia adopted an obligation to introduce a compliance function in all majority-owned state-owned enterprises was adopted. The disposal of state assets is slowly progressing.	
	• Enhance the prevention and sanctioning of corruption, in particular at the local level.	**Limited Progress.** Although Croatia adopted legislation on the protection of whistle-blowers (effective from July 2019) the resources allocated to the Ombudsman's office, in charge of whistle-blower protection, are insufficient. No clear progress was made on other initiatives needed to prevent and penalise corruption, at national and local level.	
	• Reduce the duration of court proceedings and improve electronic communication in courts.	**Some Progress.** Croatia is gradually extending the use of electronic communication and has reduced backlogs in commercial courts.	
	• Reduce the most burdensome parafiscal charges.	**Limited Progress.** There has been limited progress in reducing or removing parafiscal charges. The register of parafiscal charges was updated in 2019.	

	• and excessive product and services market regulation.	**Some Progress.** A number of action plans and measures aimed at the alleviation of excessive administrative obligations for entrepreneurs were adopted, as well as liberalisation measures in selected professional services.	

IT	**2019 CSRs** **SGP: CSR 1** **MIP: CSR 1, 2, 3, 4, 5**	**Assessment of implementation of 2019 CSRs** **February 2020**	**2020 CSRs** **SGP: CSR 1** **MIP: CSR 1, 2, 3, 4**
	1. Ensure a nominal reduction of net primary government expenditure of 0,1 % in 2020, corresponding to an annual structural adjustment of 0,6 % of GDP. Use windfall gains to accelerate the reduction of the general government debt ratio. Shift taxation away from labour, including by reducing tax expenditure and reforming the outdated cadastral values. Fight tax evasion, especially in the form of omitted invoicing, including by strengthening the compulsory use of e-payments including through lower legal thresholds for cash payments. Implement fully past pension reforms to reduce the share of pensions in public spending and create space for other social and growth-enhancing spending. *Split into Sub-CSRs*	**Some Progress** (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact).	1. Take all necessary measures, in line with the general escape clause of the Stability and Growth Pact, to effectively address the COVID-19 pandemic, sustain the economy and support the ensuing recovery. When economic conditions allow, pursue fiscal policies aimed at achieving prudent medium-term fiscal positions and ensuring debt sustainability, while enhancing investment. Strengthen the resilience and capacity of the health system, in the areas of health workers, critical medical products and infrastructure. Enhance coordination between national and regional authorities.
	• Ensure a nominal reduction of net primary government expenditure of 0,1 % in 2020, corresponding to an annual structural adjustment of 0,6 % of GDP. Use windfall gains to accelerate the reduction of the general government debt ratio.		
	• Shift taxation away from labour, including by reducing tax expenditure and reforming the outdated cadastral values.	**Limited Progress.** The 2020 budget includes a fund to reduce the tax wedge on labour by around 0.2% of GDP in 2020 and 0.3% of GDP from 2021. The 2020 budget also includes several provisions limiting tax expenditures on personal income taxes, with a limited budgetary impact. No steps were taken to reduce the large tax expenditures in value-added taxes, nor to reform the outdated cadastral values. Overall, some progress was made in reducing taxes on labour, but no progress in shifting taxes to other revenue sources (only limited progress in reducing tax expenditures and no progress in updating cadastral values). On average, limited progress has been made.	
	• Fight tax evasion, especially in the form of omitted invoicing, including by	**Substantial Progress.** The 2020 budget includes several measures to fight tax evasion related to	

	strengthening the compulsory use of e-payments including through lower legal thresholds for cash payments.	omitted income declarations, including by encouraging electronic payments: (i) a new fund (0.2% of GDP from 2021) to reward consumers that pay via electronic means; (ii) lower limits to cash payments; (iii) a new special lottery for consumers paying with electronic means; (iv) the possibility to deduct expenditures from personal income taxes only if paid with traceable means. Additional new measures against tax evasion include disincentives to the undue compensation of tax credits, the shift of VAT and social security liabilities from the subcontractor onto the main contractor of tax liabilities and several measures against excise duties and VAT fraud in the fuel sector. These measures are relevant and in line with the 2019 CSR. However, the size of the challenge represented by tax evasion in Italy warrants a thorough implementation and a continuous and increasingly ambitious reform effort. For an efficient use of resources, it is also important that the financial incentives for consumers paying electronically are targeted to the sectors most exposed to tax evasion.	
	• Implement fully past pension reforms to reduce the share of pensions in public spending and create space for other social and growth-enhancing spending.	**No Progress.** The 2019 budget introduced several provisions which partially reversed past pension reform by broadening possibilities for early retirement, including by creating a new early retirement scheme ("quota 100") and suspending the indexation to life expectancy of the minimum contribution requirement needed to retire under the existing early retirement scheme. The 2020 budget law confirmed the new pension measures implemented in 2019 and even extended to 2020 the temporary early retirement schemes for women and for employees recently dismissed or performing heavy works ("APE sociale"), further increasing pension expenditure.	
	2. Step up efforts to tackle undeclared work. Ensure that active labour market and social policies are effectively integrated and reach out in particular to young people and vulnerable groups. Support women's participation in the labour market through a comprehensive strategy, including through access	**Limited Progress.**	2. Provide adequate income replacement and access to social protection, in particular for atypical workers. Mitigate the employment impact of the COVID-19 crisis, including through flexible working arrangements and active support to employment.

	to quality childcare and long-term care. Improve educational outcomes, also through adequate and targeted investment, and foster upskilling, including by strengthening digital skills. *Split into Sub-CSRs*		Strengthen distance learning and skills, including digital ones.
	• Step up efforts to tackle undeclared work.	**Limited Progress.** The national labour inspectorate launched a recruitment competition, together with other services, to hire more labour inspectors. The total number of firms inspected has declined in 2018.	
	• Ensure that active labour market and social policies are effectively integrated and reach out in particular to young people and vulnerable groups.	**Some Progress.** 3000 "navigators" have been hired to reinforce public employment centres. However, active labour market policies (ALMP) remain barely integrated and coordinated with other related policies (e.g. social services, adult learning, vocational training). The coordination role for the national agency (ANPAL) is still weaker than originally intended. The main challenges for the implementation of the reform remain improving the coordination, the exchange of data and the standardisation of services provided.	
	• Support women's participation in the labour market through a comprehensive strategy, including through access to quality childcare and long-term care.	**Limited Progress.** The different family-related social policy measures are often not coordinated and a comprehensive strategy, including access to services and provision of benefits, is missing. The government The government took some action to facilitate access to childcare through financial support to families, but has no plans to increase the supply of childcare. Available pre-school places covered on average only 24% of children under three years of age in the school year 2016/17, with big regional variations.	
	• Improve educational outcomes, also through adequate and targeted investment, and foster upskilling, including by strengthening digital skills.	**Limited Progress.** No significant measures have been adopted to address the CSR beyond hiring new teachers (with an extremely small effort on digital-expert teachers hiring).	
	3. Focus investment-related economic policy on research and innovation, and the quality of infrastructure, taking into account regional disparities. Improve the effectiveness of public administration, including by investing in the skills of	**Some Progress.**	3. Ensure effective implementation of measures to provide liquidity to the real economy, including to SMEs, innovative firms and the self-employed, and avoid late payments. Front-load mature public investment projects and promote private

	public employees, by accelerating digitalisation, and by increasing the efficiency and quality of local public services. Address restrictions to competition, particularly in the retail sector and in business services, also through a new annual competition law. *Split into Sub-CSRs*		investment to foster the economic recovery. Focus investment on the green and digital transition, in particular on clean and efficient production and use of energy, research and innovation, sustainable public transport, waste and water management as well as reinforced digital infrastructure to ensure the provision of essential services.
	• Focus investment-related economic policy on research and innovation, and the quality of infrastructure, taking into account regional disparities.	**Some Progress.** Public investment remains subdued, but the strengthening of the budgetary autonomy of local governments is showing positive signs. Other measures to unlock public investment were adopted in 2019 ("Sblocca cantieri" decree). Moreover, funds for public investment at central and local level have been increased and the new fund for green investment created, although administrative capacity to plan and implement investment projects remains weak. Transizione 4.0 plan (extending measures of the Impresa 4.0 plan) support private investment and better focuses on innovation and green investment, while aiming at enlarging the number of beneficiaries firms. However, R&D expenditure remains low and unequal across Italian regions. There is still scope for further streamlining and stabilisation of the most efficient incentives. The Fund for Innovation was set but is not yet operational. Public investment in Southern regions remains low and their weak eco-systems makes them benefit less from national measures. The planned strengthening of the 34% investment clause could help reducing regional disparities.	
	• Improve the effectiveness of public administration, including by investing in the skills of public employees, by accelerating digitalisation, and by increasing the efficiency and quality of local public services.	**Some Progress.** Efforts to simplification administrative procedures go on, although overall burden remains high. Two agencies were set-up in 2019 to strengthen administrative capacity of public administration capacity to plan and manage public investment but are not yet operational. The reform intended to address inefficiencies in public procurement remains unachieved. Some progress has been recorded in increasing the effectiveness and digitisation level of the PA (Decreto Concretezza, draft law on public employment, creation of the ministry for innovation and digitisation, IO app	

		launch, etc). However no progress has been registered on the local public services side.	
	• Address restrictions to competition, particularly in the retail sector and in business services, also through a new annual competition law.	**No Progress.** No progress has been registered on competition policies. No new initiatives have been announced and few backtracking measures are still being discussed.	
	4. Reduce the length of civil trials at all instances by enforcing and streamlining procedural rules, including those under consideration by the legislator and with a special focus on insolvency regimes. Improve the effectiveness of the fight against corruption by reforming procedural rules to reduce the length of criminal trials. *Split into Sub-CSRs*	**Limited progress.**	4. Improve the efficiency of the judicial system and the effectiveness of public administration.
	• Reduce the length of civil trials at all instances by enforcing and streamlining procedural rules, including those under consideration by the legislator.	**Limited Progress.** Despite recent improvements, the low efficiency of Italy's civil justice system remains a source of concern. The time to resolve civil and commercial litigious cases in Italy remains the highest in the EU at higher instances. A draft law enabling the government to substantially streamline the civil procedure has been adopted by the Council of Ministers in December 2019 and has now to be passed by the national parliament.	
	• Improve the effectiveness of the fight against corruption by reforming procedural rules to reduce the length of criminal trials.	**Limited Progress.** As regards the length of criminal trials, Italy's long disposition time for criminal cases continues to raise concerns in particular at the appeal level. Positive results in containing trial length have recently been recorded by first instance courts and the Court of Cassation. The recent reform stopping the statute of limitations after a first-instance ruling, in line with a long-standing country-specific recommendation, entered into force as of 2020. The government has been discussing a much needed reform of the criminal procedure. Swift adoption of these measures, coupled with others to tackle the large number of pending cases at appeal courts, could improve the efficiency of the criminal justice system and the effectiveness of the fight against corruption. However, in the absence of an urgent reform of criminal trials, the low efficiency of criminal	

		justice at the appeal level continues to hinder the prosecution of corruption.	
	5. Foster bank balance sheet restructuring, in particular for small and medium-sized banks, by improving efficiency and asset quality, continuing the reduction of non-performing loans, and diversifying funding. Improve non-bank financing for smaller and innovative firms. *Split into Sub-CSRs*	**Some Progress.**	
	• Foster bank balance sheet restructuring, in particular for small and medium-sized banks, by improving efficiency and asset quality, continuing the reduction of non-performing loans, and diversifying funding.	**Some Progress.** Banks' balance sheet repair including non-performing loans disposals through outright sales and securitisations with Guarantee on Securitization of Bank Non Performing Loans (GACS) has substantially progressed. The GACS was prolonged in May 2019 for another period of two years. Currently, the relatively low yields on Italian government bonds are expected to support banks in Italy to shore up their capital positions and to improve access to wholesale funding. At the same time, Italian banks continued to rebalance their domestic government bond portfolios to the held-to- collect category, in order to shield their capital positions from the volatility of domestic sovereign bond prices. Despite recent improvements, profitability remains challenging for Italian banks amid the current low interest rate environment. Some of the banks are still exhibiting high cost-to-income ratios. The reform of the large cooperative banks is not yet fully implemented, unlike the reform of small mutual banks which was essentially concluded. Moreover, the Government finalised in early 2019 the reform of the insolvency framework. However, Italian banks are still substantially exposed to their sovereign, implying the risk of adverse feedback loops. A rebound in sovereign yields could put banks under pressure and renew strain on funding costs. Despite the achieved progress as regards banks' balance sheet de-risking, the stock of NPL at system level remains comparatively high vis-à-vis euro area peers. Moreover, some of the second	

		tier banks are still suffering under NPL-levels that are markedly above the average.	
	• Improve non-bank financing for smaller and innovative firms.	**Some Progress.** While firms' financing remains predominantly bank-based, measures aimed at increasing access of firms to capital markets adopted in previous years have had some positive impact. The use of initial public offerings on the AIM showed signs of recovery in 2018, partly as a result of government initiatives like the introduction of Special Purpose Acquisition Companies (SPACs). The relevance of the mini-bond market for SMEs is also growing, despite its relative small size. However, measures to improve the weak recourse to venture capital have not yet been implemented. New measures adopted in 2019 (extension of the scope of crowdfunding to bonds issued by SMEs, reintroduction of ACE, so-called Società di Investimento Semplice) are expected to help address the undercapitalisation of the corporate sector.	

CY	**2019 CSRs** **SGP: -** **MIP: CSR 1, 2, 3, 4, 5**	**Assessment of implementation of 2019 CSRs** **February 2020**	**2020 CSRs** **SGP: CSR 1** **MIP: CSR 1, 3, 4**
	1. Adopt key legislative reforms to improve efficiency in the public sector, in particular as regards the functioning of the public administration and the governance of State-owned entities and local governments. Address features of the tax system that may facilitate aggressive tax planning by individuals and multinationals, in particular by means of outbound payments by multinationals. *Split into Sub-CSRs*	**Limited Progress.**	1. Take all necessary measures, in line with the general escape clause of the Stability and Growth Pact, to effectively address the COVID-19 pandemic, sustain the economy and support the ensuing recovery. When economic conditions allow, pursue fiscal policies aimed at achieving prudent medium-term fiscal positions and ensuring debt sustainability, while enhancing investment. Strengthen the resilience and capacity of the health system to ensure quality and affordable services, including by addressing health workers' working conditions.
	• Adopt key legislative reforms to improve efficiency in the public sector, in particular as regards the functioning of the public administration	**Limited Progress** in improving the efficiency of the public administration by further promoting e- governance. However, the key legislation on modernising the functioning of the public administration is still pending endorsement, despite the fact that revised legislation was submitted to the House of Representatives in October 2019.	
	• and the governance of State-owned entities	**Some Progress** has been made on the improvement of the governance of State-owned enterprises as additional requirements for increased oversight and reporting were introduced by decisions of the Council of Ministers. These administrative measures are intended to replace provisions envisaged in the draft law for the governance of State-owned enterprises, which was withdrawn from the House of Representatives as it was deemed that it would not be adopted However the effectiveness of these measures is still to be assessed. In particular, additional efforts are needed to create a transparent process for board nominations and to further align and improve corporate governance practices.	
	• and local governments.	**Limited Progress** on the reform of the local government, despite the intense preparations for revising the proposal of the government, as it is still pending for adoption.	
	• Address features of the tax system that may facilitate aggressive tax planning by	**Limited Progress** since Cyprus is in the process of transposing into national law the first EU Directives on Anti-Tax Avoidance. Some additional measures	

	individuals and multinationals, in particular by means of outbound payments by multinationals.	were announced, such as the introduction of withholding taxes on dividend, interest and royalty payments to countries on the EU list of non-cooperative jurisdictions on tax matters, the introduction of a tax residency test based on incorporation and the reviewing of the transfer pricing framework to take into account the OECD base erosion and profit shifting (BEPS) project transfer pricing recommendations. However, their effectiveness in addressing the issue of aggressive tax planning remains to be seen.	
	2. Facilitate the reduction of non-performing loans including by setting up an effective governance structure for the State-owned asset management company, taking steps to improve payment discipline and strengthening the supervision of credit-acquiring companies. Strengthen supervision capacities in the non-bank financial sector, including by fully integrating the insurance and pension-fund supervisors. *Split into Sub-CSRs*	**Limited Progress.**	2. Provide adequate income replacement and access to social protection for all. Strengthen public employment services, promote flexible working arrangements and improve the labour-market relevance of education and training.
	• Facilitate the reduction of non-performing loans including by setting up an effective governance structure for the State-owned asset management company,	**Some Progress** has been made in facilitating the reduction of non-performing loans by implementing the ESTIA scheme (for addressing non-performing loans collateralised by primary residences) and by introducing e-auctions for properties subject to foreclosure proceedings. However, progress is slow in setting up the new governance structure of the State-owned asset management company. New members have been appointed in its board of directors. However the governance and organisational structure of the company are not yet complete, while the long- term business plan is still under preparation.	
	• taking steps to improve payment discipline	**Limited Progress** in improving payment discipline as in 2019, a new insolvency service was established, which is expected to operate more efficiently and effectively and to promote the insolvency framework. The ESTIA scheme may help deal with strategic defaulters. The foreclosure framework was strengthened in 2018, whereas the	

		amendments adopted in 2019 may undermine the framework if implemented.	
	• and strengthening the supervision of credit- acquiring companies.	**Limited Progress** has been made in strengthening the supervision of credit-acquiring companies, as a bill for the strengthening of the supervision of Authorized Credit Institutions has been drafted, but has not yet been submitted to the House of Representatives.	
	• Strengthen supervision capacities in the non-bank financial sector, including by fully integrating the insurance and pension-fund supervisors.	**Limited Progress** has been made in strengthening the supervision capacities in the non-bank financial sector, with a bill aiming to consolidate and strengthen the supervision of insurance companies and pension funds being submitted to the House of Representatives at the end of 2019. The bill has not been adopted yet.	
	3. Complete reforms aimed at increasing the effectiveness of the public employment services and reinforce outreach and activation support for young people. Deliver on the reform of the education and training system, including teacher evaluation, and increase employers' engagement and learners' participation in vocational education and training, and affordable childhood education and care. Take measures to ensure that the National Health System becomes operational in 2020, as planned, while preserving its long-term sustainability. *Split into Sub-CSRs*	**Some Progress.**	3. Secure adequate access to finance and liquidity, especially for SMEs. Front-load mature public investment projects and promote private investment to foster the economic recovery. Focus investment on the green and digital transition, in particular on clean and efficient production and use of energy, waste and water management, sustainable transport, digitalisation, research and innovation.
	• Complete reforms aimed at increasing the effectiveness of the public employment services and reinforce outreach and activation support for young people.	**Some Progress** has been made, as the reforms of the public employment services, outreach to young people and support to get them into work or training are progressing and their effectiveness is improving. However, the sustainability of services is at risk as the additional staff recruited are only on short-term contracts until mid-2020, and youth unemployment is still high.	
	• Deliver on the reform of the education and training system, including teacher evaluation, and increase employers' engagement and learners' participation in vocational education and training,	**Limited Progress** has been made, as there is only partial progress in the area of student assessment, with sizeable deviations from the original reform proposal. Stakeholder discussions are ongoing on the reform of teacher evaluation, but no concrete legislative progress has been made so far. Overall,	

		performance in basic skills as measured by PISA is poor, with slight improvements in mathematics and sciences, but a decline in reading. Levels of vocational education and training and adult learning remain low.	
	• and affordable childhood education and care.	**Limited Progress** has been made, as supporting measures for affordable early childhood education and care are still lagging behind. The availability of affordable and accessible childcare is an area where divergence exists and free/low cost childcare is limited, creating a disproportionate burden for families.	
	• Take measures to ensure that the National Health System becomes operational in 2020, as planned, while preserving its long-term sustainability.	**Some Progress** has been made as the first phase of the reform for out-patient care has been launched and the second phase of in-patient care, expected by June 2020, is in progress. Sustainability risks and operational challenges remain.	
	4. Focus investment-related economic policy on sustainable transport, environment, in particular waste and water management, energy efficiency and renewable energy, digitalisation, including digital skills, and research and innovation, taking into account territorial disparities within Cyprus. Adopt legislation to simplify the procedures for strategic investors to obtain necessary permits and licences. Improve access to finance for SMEs, and resume the implementation of privatisation projects. *Split into Sub-CSRs*	**Limited Progress.**	4. Step up action to address features of the tax system that facilitate aggressive tax planning by individuals and multinationals. Improve the efficiency and digitalisation of the judicial system and the public sector.
	• Focus investment-related economic policy on sustainable transport,	**Limited Progress** has been made as the obligation of fuel suppliers for blending biofuels to conventional transport fuels was increased to at least 5% in energy content for 2019. Additional measures, such as increasing the obligation up to 10% and the introduction of a grant scheme for photo-voltaic installation on residential houses for the charging of electric vehicles or plug-in hybrid electric vehicles, are still under discussion.	
	• environment, in particular waste and water management,	**Limited Progress** has been made, as an integrated environmental permitting and inspection system is expected to be introduced in 2020. An update of	

		the National Strategy for the Management on Municipal Waste up to 2021 will start in 2020. Draft rules regulating the waste management by local authorities, including the introduction of 'pay as you through' mechanisms, are under consultation with the stakeholders, with the aim to be finalised and submitted to the House of Representatives in 2020.	
	• energy efficiency and renewable energy,	**Some Progress** has been made as schemes are being implemented to support energy efficiency in SMEs and in private and public buildings. A new financial instrument for SMEs, energy efficiency and RES is expected to start implementation in 2020. A green tax reform is under discussion. However, Cyprus remains well below its targets.	
	• digitalisation, including digital skills,	**Limited Progress** has been made as announced measures are still under implementation. The establishment of the new deputy ministry for Innovation and Digital Policy as of 1st March 2020 was adopted. The new National Digital Strategy is under preparation. To foster e- commerce, the authorities have also launched a grant scheme to incentivise small and medium- sized enterprises to invest in relevant equipment and services. Furthermore, measures to enhance digital skills are under preparation.	
	• and research and innovation, taking into account territorial disparities within Cyprus.	**Some Progress** has been made as the new national research and innovation strategy for 2019-2023 has entered into force. The law allowing universities to create spin-offs was adopted as well as measures to stimulate academia-business cooperation.	
	• Adopt legislation to simplify the procedures for strategic investors to obtain necessary permits and licences.	**Limited Progress** has been made, as the relevant legislation for simplifying and shortening the procedures to obtain the necessary permits for strategic investments has been revised, but is still pending enactment.	
	• Improve access to finance for SMEs,	**Some Progress** has been made, as grant schemes are ongoing. In addition, the establishment of an equity fund was adopted for the first time, and its implementation is under way.	

	• and resume the implementation of privatisation projects	**No Progress** has been made as a few privatisation projects are still under consideration by the authorities, but without any progress so far.	
	5. Step up efforts to improve the efficiency of the judicial system, including the functioning of administrative justice and revising civil procedures, increasing the specialisation of courts and setting up an operational e-justice system. Take measures to strengthen the legal enforcement of claims and ensure reliable and swift systems for the issuance and transfer of title deeds and immovable property rights. Accelerate anti-corruption reforms, safeguard the independence of the prosecution and strengthen the capacity of law enforcement. *Split into Sub-CSRs*	**Limited Progress.**	
	• Step up efforts to improve the efficiency of the judicial system, including the functioning of administrative justice and revising civil procedures, increasing the specialisation of courts and setting up an operational e-justice system. Take measures to strengthen the legal enforcement of claims	**Limited Progress** has been achieved on enhancing the efficiency of the judicial system, as several draft laws regarding the specialisation of courts are still pending for adoption. The revision of the civil procedures rules, the implementation of e-justice and the recruitment of additional judges to clear the backlog are delayed. A draft law to facilitate the enforcement of claims is also pending adoption.	
	• and ensure reliable and swift systems for the issuance and transfer of title deeds and immovable property rights.	**Limited Progress** has been made, as there is still a large backlog in cases of buyers who paid the full amount for a property and have yet to receive their legal ownership documents. A new transparent and reliable system is still under discussion. On the positive side, an amended law to facilitate the transfer of title deeds was enacted in 2019.	
	• Accelerate anti-corruption reforms, safeguard the independence of the prosecution and strengthen the capacity of law enforcement.	**Limited Progress** has been made, as an action plan against corruption is being implemented. However, key measures and legislation are pending adoption, notably the draft Act for the enhancement of transparency in public decision making (through the regulation of lobbying), the draft Act for the establishment of the Independent Authority against Corruption, the draft Act for reporting corruption and the draft Act for the protection of whistle-blowers. The capacity to investigate corruption has been strengthened with the newly established internal	

		affairs service of the Police, which is fully operational and some measures have been taken to improve the capacity of the financial investigation unit and forensics. The bill on telephone tapping was approved by the House of Representatives in January 2020. This is envisaged to improve the investigative capacity for corruption-related crimes. A draft Act law revising the existing provisions related to the Law Office's budgetary independence, separation of functions, and recruitment procedures, is still under discussion.	

LV	2019 CSRs SGP: CSR 1 MIP: -	Assessment of implementation of 2019 CSRs February 2020	2020 CSRs: SGP: CSR 1 MIP: -
	1. Ensure that the nominal growth rate of net primary government expenditure does not exceed 3,5 % in 2020, corresponding to an annual structural adjustment of 0,5 % of GDP. Reduce taxation for low-income earners by shifting it to other sources, particularly capital and property, and by improving tax compliance. Ensure effective supervision and the enforcement of the anti-money laundering framework. *Split into Sub-CSRs*	**Some Progress** (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact).	1. Take all necessary measures, in line with the general escape clause of the Stability and Growth Pact, to effectively address the COVID-19 pandemic, sustain the economy and support the ensuing recovery. When economic conditions allow, pursue fiscal policies aimed at achieving prudent medium-term fiscal positions and ensuring debt sustainability, while enhancing investment. Strengthen the resilience and accessibility of the health system including by providing additional human and financial resources.
	• Ensure that the nominal growth rate of net primary government expenditure does not exceed 3.5% in 2020, corresponding to an annual structural adjustment of 0.5% of GDP.	No assessment of compliance with the Stability and Growth Pact.	
	• Reduce taxation for low-income earners by shifting it to other sources, particularly capital and property, and by improving tax compliance.	**Some Progress.** The tax wedge for low wages in 2020 is estimated to have been reduced in line with the benchmark against other Member States. However, this reduction is not offset by other tax revenue sources, in particular capital and property. Tax compliance is improving in some areas, but policy and compliance gaps remain high.	
	• Ensure effective supervision and the enforcement of the anti-money laundering framework.	**Substantial Progress.** Latvia has strengthened its anti-money laundering system and the flow of risky money through the country has been reduced. Latvia has increased the capability of supervisory and law enforcement institutions and has established information sharing and a cooperation group involving competent authorities. A number of sanctions have been applied in 2019. The number of investigations and amount of funds frozen increased in 2019, but a large amount of deposits in ABLV bank still needs to be scrutinised during its liquidation. Latvia should continue its efforts to ensure effective supervision and enforcement of its anti-money laundering framework.	

	2. Address social exclusion notably by improving the adequacy of minimum income benefits, minimum old-age pensions and income support for people with disabilities. Increase the quality and efficiency of education and training in particular of low-skilled workers and jobseekers, including by strengthening the participation in vocational education and training and adult learning. Increase the accessibility, quality and cost-effectiveness of the healthcare system. *Split into Sub-CSRs*	**Some Progress.**	2. Provide adequate income support to the groups most affected by the crisis and strengthen the social safety net. Mitigate the employment impact of the crisis, including through flexible working arrangements, active labour market measures and skills.
	• Address social exclusion notably by improving the adequacy of minimum income benefits, minimum old-age pensions and income support for people with disabilities.	**Some Progress.** Minimum social benefits have been increased for 2020, except for those who have worked less than 15 years. The increases are lower than planned, leading to partial implementation, and the adequacy of benefits remains low. Further action would be required to address the high risk of poverty or social exclusion as well as income inequality.	
	• Increase the quality and efficiency of education and training in particular of low-skilled workers and jobseekers, including by strengthening the participation in vocational education and training and adult learning.	**Some Progress.** While improving quality and efficiency, measures to consolidate resources, including the large school network, have been delayed. At the same time, reforms to improve vocational education and training are ongoing and are planned to be finalised by the end of 2021, but the share of students in vocational education and training remains low. An EU-funded adult learning project is ongoing, but overall participation in adult learning remains low, especially for the low-skilled, and measures to increase uptake have been adopted. Work on a national skills agenda with support from the OECD is ongoing and in 2020 Latvia's national strategy for education and skills for 2021-2027 will be developed and approved.	
	• Increase the accessibility, quality and cost-effectiveness of the healthcare system.	**Some Progress.** Public spending for healthcare is set to decline as a share of GDP in 2020. The level of unmet needs for medical care and the level of out-of-pocket payments remain high. The introduction of the two-basket health insurance system, which posed risks for access to healthcare, has been post-	

		poned. Healthcare network reforms initiated in previous years continue, but are still at an early stage. In particular, the pilots of the multi- disciplinary health centres for the primary care reform have not been launched yet. Efforts have been made to combat anti- microbial resistance, to improve mental healthcare and to support the nursing profession. However, workforce shortages persist and access to affordable healthcare remains a challenge for parts of the population.	
	3. Focus investment-related economic policy on innovation, the provision of affordable housing, transport, in particular on its sustainability, resource efficiency and energy efficiency, energy interconnections and digital infrastructure, taking into account regional disparities. *Split into Sub-CSRs*	**Some Progress.**	3. Ensure access to liquidity support by firms and in particular small and medium-sized enterprises. Front-load mature public investment projects and promote private investment to foster the economic recovery. Focus investment on the green and digital transition, in particular on research and innovation, clean and efficient production and use of energy, sustainable transport and digital infrastructures.
	• Focus investment-related economic policy on innovation	**Some Progress.** Latvia will not meet its national target for investments in R&D by 2020, as national financing has not been increased as initially planned. Latvia relies on the support from the Horizon 2020 Policy Support Facility and has advanced in creating a unified coordination body in 2020 to tackle currently fragmented governance.	
	• the provision of affordable housing.	**Limited Progress.** Affordable housing in the centres of economic activity is a bottleneck for labour mobility and economic growth. Lengthy and cumbersome processes for obtaining planning and building permits are hampering new housing construction. The weak protection of landlords discourages more investment into rental housing. The draft rental law has not made any progress in the Parliament since 2018. The plans for energy-efficiency renovation of apartment buildings are unambitious.	
	• transport, in particular on its sustainability.	**Some Progress.** Transit and major transport connections are the authorities' first priority, while a large share of local roads are of poor quality. The use of passenger cars is growing, while the share of passenger transport by bus or train is declining. The transport sector is a major source of greenhouse	

		gas emissions, while renewable energy use in road transport is low. Regulatory changes and a better organisation of public transport to improve environmental sustainability are at an early stage. However, the development of Rail Baltica should support the shift to less carbon intensive rail transport once finished.	
	• resource efficiency and energy efficiency, energy interconnections	**Some Progress.** Regional gas market with Finland and Estonia became operational on 1 January 2020. The Baltic grid synchronisation project, the internal electricity grid reinforcement project and construction of the third interconnector with Estonia are all well on track. However, the final National Energy and Climate Plan detailing the investment plan aimed at increasing the resource and energy efficiency is still to be submitted by Latvia. The government has adopted its 2030 Strategy on Latvia's adaptation to Climate Change with a view to develop infrastructure and buildings, taking into consideration the potential climate risks. The Strategy for the Low-Carbon Development until 2050 is expected to be approved in 2020.	
	• and digital infrastructure, taking into account regional disparities.	**Some Progress.** Latvia is among the EU's front-runners for the deployment of very high-speed internet infrastructure. However, last mile connections are an issue in rural areas.	
	4. Strengthen the accountability and efficiency of the public sector, in particular with regard to local authorities and State-owned and municipal enterprises and the conflict of interest regime.	**Some Progress.** Public administration reform for the central government is being implemented. Administrative-territorial reform for consolidating local authorities and improving their services was presented in 2019 and is expected to be adopted in mid-2020. Corporate governance of state and municipal companies has been improved by requiring disclosure of company reports to the same extent as for listed companies. Moreover, the uncompetitive behaviour of municipal companies and entities is prohibited and the Competition Council is charged with monitoring the situation. The capacity to investigate corruption cases has been strengthened, but shortcomings remain as regards the oversight of implementation of anti-corruption actions, a lack of clarity as regards	4. Continue progress on the anti-money laundering framework.

		the applicable regime on conflicts of interests, the application of sanctions for asset disclosure irregularities and the lack of a legal framework regulating lobbying activities.	

LT	2019 CSRs SGP: - MIP: -	Assessment of implementation of 2019 CSRs February 2020	2020 CSRs SGP: CSR 1 MIP: -
	1. Improve tax compliance and broaden the tax base to sources less detrimental to growth. Address income inequality, poverty and social exclusion, including by improving the design of the tax and benefit system. *Split into Sub-CSRs*	**Some Progress.**	1. Take all necessary measures, in line with the general escape clause of the Stability and Growth Pact, to effectively address the COVID-19 pandemic, sustain the economy and support the ensuing recovery. When economic conditions allow, pursue fiscal policies aimed at achieving prudent medium-term fiscal positions and ensuring debt sustainability, while enhancing investment. Strengthen the resilience of the health system, including by mobilising adequate funding and addressing shortages in the health workforce and of critical medical products. Improve the accessibility and quality of health services.
	• Improve tax compliance and	**Some Progress.** Lithuania has adopted and implemented a few legislative and technical measures to tackle tax evasion and avoidance. However, the VAT gap still remains one of the highest in the EU. The effectiveness of the new IT tools that were to encourage tax compliance is limited.	
	• broaden the tax base to sources less detrimental to growth.	**Some Progress.** On 17 December 2019, the Law on the vehicle registration tax was adopted. The law introduces passenger vehicle taxation based on CO_2 emissions from July 2020. At the same time, a few minor adjustments were introduced to the real estate tax (lowering the threshold from €220,000 to €150,000 and increasing the minimum tax rate). Overall, these changes are expected to bring €15 million in tax revenues (or 0.03% of GDP). Higher excise duties on alcohol, tobacco and energy products came into force from 1 January 2020. Environmental taxes remain low compared to the EU average.	
	• Address income inequality, poverty and social exclusion, including by improving the design of the tax and benefit system.	**Some Progress.** Lithuania has achieved some progress in addressing poverty and social exclusion. The country has taken some measures to address poverty and social exclusion. The increase in universal child benefit will have a positive impact on reducing the risk of poverty and social exclusion for households with children. The indexation and additional increase of pensions is also a step forward in addressing the risk of poverty among older people. Other measures such as an increase in the minimum monthly wage, and amendments on cash social assistance and social housing, are also steps in the	

		right direction, but their effect on poverty and social exclusion is yet to be seen. Lithuania achieved limited progress in addressing income inequality and improving the design of the tax and benefit system. The progressivity of the personal income tax system remains low. Lithuania's tax-to-GDP ratio is one of the lowest in the EU. The increases in real estate taxes in 2020 are expected to have a negligible effect on the tax-to-GDP ratio.	
	2. Improve quality and efficiency at all education and training levels, including adult learning. Increase the quality, affordability and efficiency of the healthcare system. *Split into Sub-CSRs*	**Limited Progress.**	2. Mitigate the impact of the COVID-19 crisis on employment. Increase the funding and coverage of ALMP measures and promote skills. Ensure the coverage and adequacy of the social safety net and improve the effectiveness of the tax and benefit system to protect against poverty.
	• Improve quality and efficiency at all education and training levels, including adult learning.	**Limited Progress.** Lithuania has achieved limited progress in improving the quality and efficiency of its education and training system and adult learning. Further progress is needed to make the system more efficient and to improve the allocation of resources across education levels and between urban and rural areas. The implementation of educational reforms is slow, while participation in adult learning remains well below the EU average.	
	• Increase the quality,	**Limited Progress.** Measures taken to improve the quality of the healthcare system are insufficient: the healthcare system performance is not in place, the quality accreditation programme for primary care entities remains voluntary and the progress in the take-up is very slow; the parameters of the effective public health policies are not in place; standards of quality of hospital care remain underdeveloped.	
	• affordability and	**Some Progress.** There is some progress in reducing out-of-pocket payments for pharmaceuticals and the legislation to protect the lowest income group and people aged 75+ from co-payments entered into force at the end of 2019.	
	• efficiency of the healthcare system.	**Some Progress.** Progress in improving the allocative efficiency of the healthcare system is slow and the stalemate in the restructuring the hospital framework remains a barrier in improving the use of	

		resources across the segments of care, keeping primary care and public health measures underinvested.	
	3. Focus investment-related economic policy on innovation, energy and resource efficiency, sustainable transport and energy interconnections, taking into account regional disparities. Stimulate productivity growth by improving the efficiency of public investment. Develop a coherent policy framework to support science-business cooperation and consolidate research and innovation implementing agencies. *Split into Sub-CSRs*	**Limited Progress.**	3. Support liquidity for businesses, especially for SMEs and export-oriented sectors. Front-load mature public investment projects and promote private investment to foster the economic recovery. Focus investment on the green and digital transition, in particular on the coverage and take-up of very-high-capacity broadband, on clean and efficient production and use of energy, and sustainable transport. Promote technological innovation in SMEs.
	• Focus investment-related economic policy on innovation,	**Limited Progress.** Despite slow incremental growth of business investment in research and innovation, public investment has fluctuated over the decade. Public investment did not recover in 2018 (0,88 % of GDP) and is lower than the levels of investment in R&I in the 2011-2015 period (0,91-1,04 % of GDP).	
	• energy and	**Limited Progress.** Investment figures put forward by Lithuania for 2021-2030 for energy and climate policies and measures doubled between the draft national energy and climate plan and the plan's final version. The figure now amounts to €14.1 billion for the period, with investments and energy efficiency and renewables representing 18% and 16% respectively. Lithuania is on track to meet its 2020 renewables target. Nevertheless, the use of renewable energy sources in transport is significantly below the target of 10%. Lithuania has adopted its2021-2030 national energy and climate plan. The 45% share of RES in 2030 declared in the plan is considerably above the 2030 target.	
	• resource efficiency,	**Limited Progress.** On energy efficiency, Lithuania increased the ambition of its contribution to the 2030 target between the draft national energy and climate plan and the plan's final version. Lithuania also provided more information on energy efficiency policies and measures in the transport, households, services and industry sectors. Very little	

		progress was made on resource efficiency, while waste management (and in particular the excessive use of landfilling) needs action.	
	• sustainable transport and	**Limited Progress.** Lithuania's 2021-2030 national energy and climate plan includes measures to enhance the sustainability of the transport sector. Lithuania plans efficiency gains in the vehicle fleet and in the transport system, increased use of alternative fuels, innovative transport technologies, as well as electrification of railways and taxation based on the polluter pays principle. Specific support is planned for electronic vehicles, including for charging infrastructure. However, more ambition to reduce transport emissions would be welcomed. Regional cooperation would be needed to achieve further investment in sustainable transport through digitalisation and decarbonisation. The transport measures set out in the national energy and climate plan will be further evaluated in the course of 2020.	
	• energy interconnections, taking into account regional disparities.	**Some Progress.** As part of the Baltic region that enjoys 23% interconnection capacity, Lithuania has already reached interconnection targets for electricity and is now developing a new electricity interconnector with Poland. Natural gas interconnector pipeline capacity development is also advancing, but there have been some delays. Overall implementation of energy infrastructure projects is proceeding according to the schedule outlined in the 2021-2030 National Energy and Climate Plan as well as the priorities agreed in the context of the Baltic Energy Market Interconnection Plan (BEMIP) High-level Group including the Projects of Common Interest.	
	• Stimulate productivity growth by improving the efficiency of public investment.	**Limited Progress.** Despite positive developments in public investment planning, improved governance could allow a better targeting of policy priorities. The government's own activity reports indicate delayed actions, reporting shortcomings, and a limited access to information necessary for the efficient implementation of public investment programmes.	

	• Develop a coherent policy framework to support science-business cooperation and	**Limited Progress.** Initiatives to harmonise the policy framework remain a work in progress. The Innovation Fund and a coherent innovation strategy for Lithuania are still at proposal/development stage. The R&I policy landscape continues to be categorised by a plethora of support initiatives.	
	• consolidate research and innovation implementing agencies.	**Limited Progress.** Lithuania has made preparatory work to consolidate agencies. It has carried out a study and internal discussion, but the process is now stalled due to a change in the Minister of Economics and Innovation and the upcoming elections.	

LU	**2019 CSRs** **SGP: -** **MIP: -**	**Assessment of implementation of 2019 CSRs** **February 2020**	**2020 CSRs** **SGP: CSR 1** **MIP: -**
	1. Increase the employment rate of older workers by enhancing their employment opportunities and employability. Improve the long-term sustainability of the pension system, including by further limiting early retirement. *Split into Sub-CSRs*	**Limited Progress.**	1. Take all necessary measures, in line with the general escape clause of the Stability and Growth Pact, to effectively address the COVID-19 pandemic, sustain the economy and support the ensuing recovery. When economic conditions allow, pursue fiscal policies aimed at achieving prudent medium-term fiscal positions and ensuring debt sustainability, while enhancing investment. Improve the resilience of the health system by ensuring appropriate availability of health workers. Accelerate reforms to improve the governance of the health system and e-health.
	• Increase the employment rate of older workers by enhancing their employment opportunities and employability.	**Limited Progress.** Activity and employment rates of people above 60 remain very low. Luxembourg has one of the highest rates of inactive people aged 60-64, at 80.6 % against 53.1 % on EU average, but the situation has improved for workers aged 55-59. Some measures adopted in 2017 and 2018 may explain the slight increase in the employment rate of older workers, but this rate remains substantially below the EU average and there were no new measures in 2019. The Age Pact, a draft law on age management measures intending to help keeping senior workers at work, though introduced in 2014, is still pending in Parliament.	
	• Improve the long-term sustainability of the pension system, including by further limiting early retirement.	**No Progress.** No evolution since 2017. The 'pré-retraite de solidarité', a special scheme allowing people to retire from the age of 57, was abrogated in 2018, but the impact of this on the average effective retirement age and on expenditure is still difficult to assess due to an easing of restrictions on other kinds of early retirement schemes. In 2018, the working group on pensions mandated by the Government concluded that the pension system appears to be not sustainable, amid high uncertainty, in the long term projections at unchanged policies. Following the 2018 general elections, the coalition agreement mentions that the government intends to submit a draft law on partial retirement (i.e. a combination of partial retirement and part-time work) to social partners.	

	2. Reduce barriers to competition in regulated professional business services.	**Limited Progress.** Regulatory restrictions remain above EU weighted average in several regulated professions (according to available indicators).	2. Mitigate the employment impact of the COVID-19 crisis, with special consideration for people in a difficult labour market position.
	3. Focus economic policy related to investment on fostering digitalisation and innovation, stimulating skills development, improving sustainable transport, and increasing housing supply, including by increasing incentives and lifting barriers to build. *Split into Sub-CSRs*	**Some Progress.**	3. Ensure effective implementation of measures supporting the liquidity of businesses, in particular SMEs and the self-employed. Front-load mature public investment projects and promote private investment to foster the economic recovery. Focus investment on the green and digital transition, in particular on sustainable transport and buildings, clean and efficient production and use of energy, contributing to a progressive decarbonisation of the economy. Foster innovation and digitalisation, in particular in the business sector.
	• Focus economic policy related to investment on fostering digitalisation	**Some Progress.** The data-driven innovation strategy for the development of a trusted and sustainable economy in Luxembourg was published in May 2019 and actions have been implemented to promote the digitalisation of small and medium-sized enterprises. However, digital integration in the broad economy remains low and despite the higher potential of the Information and Communication Technologies sector, business digitalisation indicators are close to the EU average.	
	• and innovation,	**Some Progress.** Tax measures were introduced to encourage investments in innovative companies (adjustments on the level of tax law in 2018). Furthermore, Luxinnovation developed programmes to support innovation in Small and Medium-sized Enterprises such as Fit4Innovation and Fit4Start which provides coaching and financing for start-ups.	
	• stimulating skills development,	**Some Progress.** 18 % of adults surveyed in 2018 had a learning experience in the previous four weeks, against an EU average of 11.1 % and for basic and advanced digital skills, Luxembourg scores highest according to the Digital Agenda Scoreboard. The share of unemployed adults participating in learning in Luxembourg in 2018was one of the highest of the EU (almost 30 % against 10.7 % on EU average). Against the background of possible skills mismatches and labour shortages, the public employment service conducted an analysis to identify the needs in cooperation with the Luxembourg	

		business association. Luxembourg's industry federation and Luxembourg's bankers' association, together with the Chamber of Commerce, the Ministry of Education, the Ministry of Higher Education and Research and the public employment service, also launched a survey on skills requested by businesses over the next two years in the field of information and communication technologies to improve the orientation of young people and adapt vocational training and adult learning to the needs. In June2019, the 2008 vocational training reform act was amended to address some technical issues. The Coalition agreement gives specific attention to the development of skills with several projects about the quality of life-long learning, the orientation of young people, employees and job seekers, the introduction of a personal training account and training vouchers.	
	• improving sustainable transport,	**<u>Some Progress.</u>** Significant investments have been realised and are to be continued to improve the transport system, and in particular public transport. In line with the Strategy for sustainable mobility (MoDu 2.0) the focus remains on a well-functioning multi-modal mobility. Major investments took place on improving the railway system, including cross- border railway connections and the extension of the Luxembourg railway station. The extension of the tramway in the Capital has been continued (phase B) and the installation of a public electric charging infrastructure is progressing.	
	• and increasing housing supply, including by increasing incentives and lifting barriers to build.	**<u>Limited Progress.</u>** Housing prices continued to increase and they have accelerated in 2019, compared to previous years. Given the fundamental supply/demand mismatch, prices are expected to increase further. Investment in dwellings remains low, as the pace of construction of new dwellings remains only slightly above the annual average observed since 2000. Housing supply is limited by insufficient incentives to extend built-up areas. Regulations are being adapted so as to make local planning contracts more binding on landowners. The	

		recent territorial management reforms have improved coherence between the different layers of government, yet without achieving the degree of vertical integration that would be needed to significantly improve the effectiveness of national policies aiming at fostering investment in dwellings in the country.	
	4. Address features of the tax system that may facilitate aggressive tax planning, in particular by means of outbound payments.	**Limited Progress.** Beyond implementing EU and internationally agreed initiatives, Luxembourg has not yet announced concrete reforms to address aggressive tax planning, in particular by means of outbound payments. However, Luxembourg reported that it has plans to address the issue of outbound payments with regard to jurisdictions included in the EU list of non-cooperative jurisdictions for tax purposes.	4. Ensure effective supervision and enforcement of the anti-money laundering framework as regards professionals providing trust and company services, and investment services. Step up action to address features of the tax system that facilitate aggressive tax planning, in particular by means of outbound payments.

HU	**2019 CSRs** **SGP: CSR 1** **MIP: -**	**Assessment of implementation of 2019 CSRs** **February 2020**	**2020 CSRs** **SGP: CSR 1** **MIP: -**
	1. Ensure compliance with the Council Recommendation of 14 June 2019 with a view to correcting the significant deviation from the adjustment path towards the medium-term budgetary objective.	No compliance assessment with the Stability and Growth Pact.	1. Take all necessary measures, in line with the general escape clause of the Stability and Growth Pact, to effectively address the COVID-19 pandemic, sustain the economy and support the ensuing recovery. When economic conditions allow, pursue fiscal policies aimed at achieving prudent medium-term fiscal positions and ensuring debt sustainability, while enhancing investment. Address shortages of health workers and ensure an adequate supply of critical medical products and infrastructure to increase the resilience of the health system. Improve access to quality preventive and primary care services.
	2. Continue the labour market integration of the most vulnerable groups, in particular through upskilling, and improve the adequacy of social assistance and unemployment benefits. Improve education outcomes and increase the participation of disadvantaged groups, in particular Roma in quality mainstream education. Improve health outcomes by supporting preventive health measures and strengthening primary healthcare. *Split into Sub-CSRs*	**Limited Progress.**	2. Protect employment through enhanced short-time working arrangements and effective active labour-market policies and extend the duration of unemployment benefits. Improve the adequacy of social assistance and ensure access to essential services and quality education for all.
	• Continue the labour market integration of the most vulnerable groups, in particular through upskilling, and	**Limited Progress.** The labour market situation of vulnerable groups has improved in recent years and the size of the public works scheme has decreased. These improvements were mostly driven by cyclical factors which mostly contributed to the increase of low-skilled male employment. Gaps in employment and/or wages remain relatively large. Policy action remains includes, announcement of new nursery school places, pilot for facilitation of transition from the public works scheme to the primary labour market.	
	• improve the adequacy of social assistance and unemployment benefits.	**No Progress.** No relevant legal, administrative or budgetary measures have been announced. With one exception (the nursing fee), social assistance	

		benefits, including most importantly the minimum income benefit and the unemployment benefit, have remained nominally unchanged and their adequacy has been further eroded. As part of a multi-annual measure announced back in 2018, the nursing fee has been slightly increased nominally. However, as this change is not new and affects only persons with serious disabilities and those who care for them, there are no grounds for a more favourable assessment of the CSR implementation. Despite the good economic performance, income inequalities have increased over the last decade as the increase of social transfers has not kept pace with the improving economy. There has been no change in the duration of unemployment benefits	
	• Improve education outcomes and increase the participation of disadvantaged groups, in particular Roma in quality mainstream education.	**<u>Limited Progress.</u>** Educational outcomes are below the EU average (PISA 2018) and large differences between schools remain. Schools are increasingly characterised by the similar socio-economic background of their pupils, with concentrations of disadvantaged pupils in certain schools. Performance-based selection starting at the age of 10 leads to under-achieving pupils being separated from their high-achieving peers and this may contribute to the high proportion of underachievers in Hungary. In addition, the gap in pupil performance between socio-economically advantaged and disadvantaged schools is the largest in the EU. The segregation of Roma children and socio-economically disadvantaged children (receiving regular child benefit) deteriorated continuously between 2008 and 2018, the major determining factor being separation between schools within cities and towns. After a strong increase in majority- Roma-segregated schools between 2008 and 2016, there is slower growth/stagnation in their share since 2016.	
	• Improve health outcomes by supporting preventive health measures and strengthening primary healthcare.	**<u>Limited Progress.</u>** The Member State has announced certain measures but these address the CSR only to a limited extent. Salaries have been increased in healthcare (8% in 2019, 14% in January	

		2020), which is relevant also for strengthening primary care. Steps have been taken to improve cancer screening: the EU-funded programme finally reached a stage where actual screening happens and initial steps have been taken to extend the programme. Although it has improved significantly over the last decade, the life expectancy of Hungarians remains the lowest among the Visegrád countries, nearly five years lower than the EU average. Differences in life expectancy by gender and educational attainment level are much larger than those observed across the EU as a whole, reflecting large differences in income and living standards, as well a greater concentration of risk factors among men and people with a lower level of education. Mortality rates from causes that are deemed preventable (e.g. breast and colorectal cancer) are among the highest in the EU, signalling the high prevalence of risk factors and the limited effectiveness of public health measures. In response, in 2019 the Hungarian authorities started implementing the national colon cancer screening programme that was developed in 2017 with the support of EU funds. More than 300,000 citizens in the target population (50-70) were invited to take the faecal occult blood test in 2019, with a take-up rate of about 30%. Moreover, to tackle the high incidence of behavioural risk factors among the Hungarian population, in January 2019 the Hungarian authorities increased the public health product tax on a selection of products (e.g. alcoholic beverages, sugary drinks and high-salt foods) by about 20%. Public health expenditure in Hungary is significantly below the EU average, partly reflecting the narrow scope of the benefits package. Consequently, the health system relies to a much greater degree on out-of-pocket spending for its financing, which, as evidenced by Hungary's high rate of catastrophic spending on health, has regressive consequences for access to care. Overall, health care provision remains excessively hospital-centric and primary care does not yet play a suffi-	

		ciently important role. There have been some efforts to shift volumes of care to the outpatient sector and to promote group practice for general practitioners and greater task-sharing between doctors and other health professionals (e.g. nurses, physiotherapists and dieticians). Although recent pilot projects seem to show promising results, the appropriateness of current funding and the scalability potential of these initiatives remain unclear: more time is needed to make a more accurate assessment.	
	3. Focus investment-related economic policy on research and innovation, low-carbon energy, transport infrastructure, and waste management and energy and resource efficiency, taking into account regional disparities. Improve competition in public procurement. *Split into Sub-CSRs*	**Limited Progress.**	3. Ensure liquidity support to SMEs. Front-load mature public investment projects and promote private investment to foster the economic recovery. Focus investment on the green and digital transition, in particular clean and efficient production and use of energy, sustainable transport, water and waste management, research and innovation, and digital infrastructure for schools.
	• Focus investment-related economic policy on research and innovation,	**Limited Progress.** R&D spending increased from 0.98% of GDP in 2008 to 1.53% in 2018. This level is high for Central Eastern European countries, but remains below the EU average of 2.11% and Hungary's 2020 target of 1.8%. Public support for private R&D is considerable. Business R&D and innovation expenditure benefited from state subsidies amounting to 0.36% of GDP in 2017, the highest level in the EU. However, the shortage of talent and skill limits the innovative activity of Hungarian enterprises. Obstacles to innovation include the limited supply of highly skilled labour. Tertiary education attainment rates are among the lowest in the EU. Recent changes have increased government influence over scientific institutions.	
	• low-carbon energy,	**Limited Progress.** Low-carbon renewable sources are improving. Both in the next multiannual financial framework programming period and the draft national energy and climate plan the government aims to prioritise investments in renewable energy sources (mainly solar, however, wind energy is not preferred by regulation in force), energy efficiency measures and electromobility.	

	• transport infrastructure, and	**Some Progress.** Spending on road maintenance rose recently with the launch of an upgrade programme for the long neglected lower-class road network. It has started to reverse the earlier decline in road quality, but 61.5% of the road network remains in inadequate or bad condition according to Magyar Kozut. Road development plans maintain a focus on building new motorways and high-speed roads. This could reduce the high centralisation of the network towards the capital. However, with motorway density already at the level of Austria, sound, economic cost-benefit analyses of new projects will be crucial to prevent overspending on motorways. Hungary's draft national energy and climate plan aims to cap transport emissions by relying on electromobility. However, details on how the charging infrastructure will be built and how other alternative fuels will be promoted is not yet available. A stronger role for other alternative fuels, shared mobility, public transport and a modal shift would help to address the environmental burden from transport. The attractiveness of public transport is key to helping labour mobility and mitigating the environmental impact of transport. In the case of train services, HU ranks among the lowest in the EU.	
	• waste management and	**Limited Progress.** Although decreasing in importance, landfilling remains the predominant waste management method; as a result of which Hungary is considered at risk of not meeting the 2020 municipal waste recycling target of 50%. Analysis has shown that Hungary did not meet targets for packaging waste recycling in 2012-2015. But measures have been in place since 2018 to improve the glass packaging recycling rate. Hungary has just started to prepare a national circular economy action plan, a new waste management plan and a waste strategy. A circular economy platform was set up in 2018 in association with the Business Council for Sustainable Development in Hungary with 91 companies.	
	• energy and resource efficiency, taking into account regional disparities.	**Limited Progress.** Hungary is at risk of failing to meet its 2020 energy saving target. This is largely	

		due to high household energy consumption per capita, which remains 12% higher than the EU average despite considerably lower income levels. Stricter energy efficiency standards for new buildings will come into force from 2021. Both in the next multiannual financial framework programming period and the draft national energy and climate plan the government aims to prioritise investments in renewable energy sources (mainly solar, however, wind energy is not preferred by regulation in force), energy efficiency measures and electromobility. The coal regions in transition initiative might be applicable for transforming a lignite-fired power plant (Matra) into a biomass-fired plant, combined with solar panel installation.	
	• Improve competition in public procurement.	**Limited Progress.** In 2019, some measures were taken to improve competition in public procurement, even if they have yet to produce visible results. Ongoing digitalisation helps simplify public procurement procedures, reducing administrative burdens and thus further facilitating access to the procurement market. An amendment to the Public Procurement Act adopted in 2019 abolished a type of procedure used in the national regime for tenders below EU thresholds, which the Commission considered to be non-transparent and a barrier to competition. Competition in public procurement is still relatively weak. The proportion of tenders with a single bid has remained high over the last 5 years. Transparency in public procurement has continued to improve. Easy accessibility of public procurement data, which would be crucial in monitoring anomalies, is not ensured, as there is no progress in the public administration and public service development operational programme to make the e-procurement database downloadable/searchable (including contract award notices).	
	4. Reinforce the anti-corruption framework, including by improving prosecutorial efforts and access to public information, and strengthen judicial independence. Improve the quality and transparency of	**Limited Progress.**	4. Ensure that any emergency measures be strictly proportionate, limited in time and in line with European and international standards and do not interfere with business activities and the stability of

	the decision-making process through effective social dialogue and engagement with other stakeholders and through regular, appropriate impact assessments. Continue simplifying the tax system, while strengthening it against the risk of aggressive tax planning. Improve competition and regulatory predictability in the services sector. *Split into Sub-CSRs*		the regulatory environment. Ensure effective involvement of social partners and stakeholders in the policy-making process. Improve competition in public procurement.
	• Reinforce the anti-corruption framework, including by improving prosecutorial efforts and access to public information,	**No Progress.** There is no determined systematic action to prosecute high-level corruption. According to the Prosecutor General's Office, most corruption-related cases involve public officials, typical cases involving tax and customs officials. While some high-level cases have been prosecuted, there is a general perception of impunity among the business community. Hungary reports relatively few cases, while OLAF finds much more in Hungary than in other countries. Restrictions on access to information hinder corruption prevention and the application of fees for accessing public information has a deterrent effect on citizens and NGOs exercising their constitutional right. While the Freedom of Information Act has not been touched, piecemeal changes to other sectoral laws have continued, corroding the overall transparency and access-to-information framework.	
	• and strengthen judicial independence.	**No Progress.** Following deterioration until 2019, the latest data for perceived judicial independence shows improvement based on the forthcoming 2020 EU Justice Scoreboard. Developments of checks and balances in the ordinary courts system have however continued to raise concerns. This has been confirmed by a statement of the Group of States against Corruption (GRECO), a report of the European Association of Judges and by a report of the Council of Europe Human Rights Commissioner. The National Judicial Council faced increasing difficulties in counter-balancing the powers of the President of the National Office of the Judiciary (European Commission, 2019g). The Parliament recently adopted a new piece of legislation in December	

		2019, introducing structural changes that may have a significant impact on the organisation of the justice system. There was no consultation of relevant stakeholders before the adoption of the law.	
	• Improve the quality and transparency of the decision-making process through effective social dialogue and engagement with other stakeholders and through regular, appropriate impact assessments.	**No Progress.** Stakeholder engagement in developing primary law is the lowest among the EU countries in the OECD. The indicators on regulatory quality and the use of evidence-based instruments rank Hungary in the bottom group of countries in the EU. A lack of meaningful consultation and impact assessment leads to a learning- by-doing approach, which contributes to frequent changes to the legal framework. Several tailor-made legal acts penalise actors (e.g. sector-specific taxes); in other cases, they grant benefits (e.g. easing conflict of interest rules and qualification requirements for a specific public office) or monopolies.	
	• Continue simplifying the tax system, while strengthening it against the risk of aggressive tax planning.	**Limited Progress.** While there have been some improvements aimed at simplifying the tax system, there is still a significant amount of complexity. The advertising tax was suspended in July 2019 and several employer contributions are expected to be integrated in a single contribution. Sector- specific taxes distort the economy. The indicators measuring the presence of aggressive tax planning have improved in recent years. However, there has been no significant effort to prevent aggressive tax planning besides the implementation of EU directives.	
	• Improve competition and regulatory predictability in the services sector.	**No Progress.** No progress has been made in improving the competition environment in the services sector. Certain services continue to be entrusted to state-owned or private firms specifically created for these purposes. No changes have been made to improve the functioning of the retail sector.	
			5. Strengthen the tax system against the risk of aggressive tax planning.

MT	2019 CSRs SGP: - MIP: -	Assessment of implementation of 2019 CSRs February 2020	2020 CSRs SGP: CSR 1 MIP: -
	1. Ensure the fiscal sustainability of the healthcare and pension systems, including by restricting early retirement and adjusting the statutory retirement age in view of expected gains in life expectancy.	**No Progress.** As regards the pension system, the adequacy of the average level of pensions is in line with EU average and measures to increase employment of older age cohorts as well as incentivising people to prolong their working lives are steps in the right direction. However, public expenditure on pensions is not sustainable in the long term in the absence of further action such as restricting early retirement and/or adjusting the statutory retirement age. Moreover, the additional â‚¬3.51 weekly (Remark by EGOV: it must be a typo in the country report) increase in public pensions announced with the 2020 budget is assessed as an action that would increase the pressure on public expenditure on pensions in the long term, even if potential benefits from higher population projections would materialize, and therefore, would not address the sustainability problem raised by the 2019 CSR. As regards the healthcare policies, two regional primary care centres with emergency care services are being built and investments to gradually expand the use of eHealth are in progress, thus creating the basis for limiting unjustified hospital admissions and the use of hospital emergency care. Capacities of institutional and home-based LTC are being expanded which may reduce the length of stay in geriatric clinics. Concrete results of these efficiency potentials and their impact on long-term fiscal sustainability, however, will become evident only in a few years' time.	1. Take all necessary measures, in line with the general escape clause of the Stability and Growth Pact, to effectively address the COVID-19 pandemic, sustain the economy and support the ensuing recovery. When economic conditions allow, pursue fiscal policies aimed at achieving prudent medium-term fiscal positions and ensuring debt sustainability, while enhancing investment. Strengthen the resilience of the health system with regard to the health workforce, critical medical products and primary care.
	2. Address features of the tax system that may facilitate aggressive tax planning by individuals and multinationals, in particular by means of outbound payments. Strengthen the overall governance framework, including by continuing efforts to detect and prosecute corruption. Continue the ongoing progress made on strengthening the anti-	**Limited Progress.**	2. Consolidate short-time work arrangements and ensure the adequacy of unemployment protection for all workers. Strengthen the quality and inclusiveness of education and skills development.

	money- laundering framework, in particular with regard to enforcements. Strengthen the independence of the judiciary, in particular the safeguards for judicial appointments and dismissals, and establish a separate prosecution service. *Split into Sub-CSRs*		
	• Address features of the tax system that may facilitate aggressive tax planning by individuals and multinationals, in particular by means of outbound payments.	**<u>No Progress.</u>** Economic evidence suggests that Malta's tax rules are used for aggressive tax planning purposes. Specifically, rules such as the absence of withholding taxes and the design of Malta's investor citizenship and residence schemes are causes for concern. Aside from the transposition of EU Directives in this area, which are not sufficient to address existing concerns, no additional reforms were announced.	
	• Strengthen the overall governance framework, including by continuing efforts to detect and prosecute corruption.	**<u>Limited Progress.</u>** The resources for the police are being improved. However, the efforts to detect and prosecute corruption need to be further strengthened to meet existing concerns.	
	• Continue the ongoing progress made on strengthening the anti-money- laundering framework, in particular with regard to enforcements.	**<u>Some Progress.</u>** Some progress was achieved in strengthening the enforcement of the anti-money laundering framework. The Financial Intelligence Analysis Unit (FIAU) made substantial progress in enhancing its supervisory capacity. The increase in the human resources and the implementation of a risk-based approach to supervision have already yielded good results. Steps have also been taken to strengthen the cooperation between the FIAU and the Malta Financial Services Authority (MFSA), but the MFSA's practice of insourcing a private consultancy for supervisory tasks is of concern. Steps have been taken to address the risks of remote gaming through cooperation between the FIAU and the Malta Gaming Authority, while an assessment of the risk exposure of virtual assets is under way. At the same time, limited progress was achieved as regards the enforcement of repressive measures against Money Laundering. While a reform of the Financial Investigation Department within the police is underway, including a recent increase in human resources, results have not materialised yet.	

		Achievements in terms of investigations, prosecutions and convictions for money laundering and related offences remain limited.	
	• Strengthen the independence of the judiciary, in particular the safeguards for judicial appointments and dismissals, and establish a separate prosecution service.	**Limited Progress.** The government announced its intention to tackle the issue but concrete measures on the appointment and dismissal of judges have not been taken yet. On the prosecution services, the government took steps to create an autonomous prosecution service, with the adoption of the State Advocate Act in July 2019. This legislation aims at separating the Attorney General's dual role as the primary public prosecutor and as the primary government consultant in legal matters. However, the reform is not sufficient to meet existing concerns with regards to the independent functioning, effectiveness and accountability of the prosecution services. Concerns remain over checks and balances in the appointment procedure of the Attorney General, which in practice remain under the exclusive power of the Prime Minister.	
	3. Focus investment-related economic policy on research and innovation, natural resources management, resource and energy efficiency, sustainable transport, reducing traffic congestion and inclusive education and training. *Split into Sub-CSRs*	**Some Progress.**	3. Ensure effective implementation of liquidity support to affected businesses, including the self-employed. Front-load mature public investment projects and promote private investment to foster the economic recovery. Focus investment on the green and digital transition, in particular on clean and efficient production and use of energy, sustainable transport, waste management, research and innovation.
	• Focus investment-related economic policy on research and innovation,	**Some Progress.** With support from ESIF, the government has invested in research infrastructures aiming to improve teaching and research capacity of the public sector. The National R&I Strategy post-2020 is under preparation, smart specialisation strategy is being updated and the National AI Strategy launched in autumn 2019. The results of these policies are to be evaluated in the coming years.	
	• natural resources management,	**Some Progress.** With regard to water management, the Net Zero Impact Water Utility Project is expected to bring about a holistic improvement in the water sector in terms of security of supply, quality, groundwater conservation and operation efficiency. The Maltese waste water treatment has been confronted with the dumping of farm manure	

		into the collecting systems. This caused a capacity problem, but also a treatment one, as the Urban Waste Water Treatment technology is not adapted to this type of waste. The Maltese authorities reported progress on this, by taking measures to separate the two waste water streams, and thus provide an alternative to farmers. The problem was reported to be solved for Gozo and Malta island in 2020 - separate facilities will be put in place to manage the farm waste by March, and then the access to the Urban Waste Water collection system will be sealed off for farmers by autumn. Solidified manure will return to farmers as fertilizer, and liquid is converted into irrigation water. In parallel, works are going on to improve the capacity/technology for the plants in south and north of Malta island. Some measures aimed at optimising the management of rainwater runoff through valley management initiatives and the development of on-field storage facilities, in particular aimed at addressing the demand of the agricultural sector, have been taken. Sea water infiltrations are being also dealt with. Solar energy remains the predominant renewable energy source in Malta. An assessment of Malta's technical potential for solar photovoltaic was conducted by the Energy & Water Agency in 2018. The technical potential assessment indicates that photovoltaic deployment post-2020 will be largely limited to suitable rooftops within the residential, commercial and industrial sectors, as well as a handful of ground-mounted systems. Development and construction trends supported by strong economic growth lead to an increase in the number of rooftops which are deemed unsuitable for photovoltaic installations.	
	• resource and energy efficiency,	**Some Progress.** Progress is still limited as regards improving energy efficiency, in particular in the transport and building sectors. In particular the housing sector generates a number of negative externalities, including on greenhouse gas emissions from waste, heating and cooling. Given the high	

		growth rates in both the residential and non- residential sectors, energy performance requirements have to be set, and most importantly, enforced rigorously. On 6 May 2019 a national roundtable on Financing Energy Efficiency in Malta was organized in partnership with the UN Environment Finance Initiative and the Ministry of Transport, Infrastructure and Capital Projects of Malta. This event revealed the various structural barriers of the buildings sector in Malta, the investment needs and the necessary reforms needed to boost renovation rates and raise awareness in developing investment projects and programmes in sustainable energy. Within the framework of the Smart Financing for Smart Buildings Initiative the European Investment Bank (Group approved and signed EUR 12m funding agreement with Malta using European Structural and Investment Funds (ESIF) resources. The decision to make use of the statistical transfer mechanism to close the gap towards the 2020 renewable energy target is considered a good improvement. As precise identification of the avenues for this statistical transfer (i.e. MS from where to source the statistical transfer) is at the moment not provided, meeting the 2020 renewable energy target remains uncertain. According to the "Early Warning Report" Malta is considered at risk of missing the 2020 municipal waste recycling target of 50 %. Heavy reliance on waste disposal is not in line with EU targets and is an unnecessary pressure on its limited land. On construction & demolition waste, a Public Consultation on the Construction and Demolition Waste Strategy for Malta 2020-2025 was conducted. This strategy aims at making its economy more circular by treating construction waste as a resource. For the moment, Malta has recorded an increase of construction & demolition recycling rate and fosters reuse of materials to prevent them from entering this waste stream.	
	• sustainable transport, reducing traffic congestion and	**<u>Limited Progress.</u>** Malta is based on road transport, with internal maritime transport being a potential alternative, while limited. In line with the	

		National Transport Plan 2025, investment is being focused on a number of measures to encourage a modal shift from the private car to collective sustainable and alternative low carbon transport mode through the use of harbour ferry connections for travel within Malta. There are some promotion of incentives to reduce private vehicle use in an attempt to reduce congestion, which remains the main transport issue. Incentives are also going to cycling, electrification of cars, intelligent transport systems in the SUMPs. While the development of road infrastructure remains a Government's priority, it is unclear to what extent planned road projects will contribute to enabling modal shift and much needed expansion of public transport offers and improved reliability of buses. A key measure taken by the Maltese authorities is the adoption of a reform of the public transport service. Free public transport was extended this year to include 14- and 20-year olds and full- time students over the age of 20. As from 2020 free public transport is also being extended to persons over the age of 75. There are no reliable assessments of the impact of new transport measures under the Transport Master Plan will have on greenhouse gas emissions. Ongoing studies on a mass rapid transit system and a phase out of internal combustion engines are promising signs. The introduction of measures to promote further the use of alternative fuels in the transport sector is considered a positive development.	
	• inclusive education and training.	**Some Progress.** Some progress have been made to make education more inclusive for all. A policy on inclusive education in schools and a national inclusive education framework were published in 2019. However, progress remains to be done in ensuring a full implementation of the new policy across and within schools. Induction programmes for newly arrived pupils who cannot communicate in Maltese or English have been set up. Malta has also requested technical support from the Commission to improve the quality of services provided by the Migrant	

		Learners' Unit. Measures remain to be taken to reduce differences in student outcomes between different types of schools. Although positive results have been recorded such as the decline in the rate of early leavers from education and training and increases in tertiary education attainment, comparatively high levels of spending are not leading to better educational outcomes for all. Education outcomes are generally lower in EU comparison and this suggests some challenges in efficiency of spending. Malta improved the labour market relevance of both initial and continuous VET. Despite the high employability of initial vocational education and training graduates and important measures implemented in the last years, its take up remains low. Malta also increased its upskilling and adult learning offer, but the take up is low, especially for SMEs, despite the fact that the share of low- skilled adults is high and that employers report difficulties in recruiting and retaining skilled workforce.	
			4. Complete reforms addressing current shortcomings in institutional capacity and governance to enhance judicial independence. Continue efforts to adequately assess and mitigate money-laundering risks and to ensure effective enforcement of the anti-money-laundering framework. Step up action to address features of the tax system that facilitate aggressive tax planning by individuals and multinationals.

NL	**2019 CSRs** **SGP: -** **MIP: CSR 1, 3**	**Assessment of implementation of 2019 CSRs** **February 2020**	**2020 CSRs** **SGP: CSR 1** **MIP: CSR 3**
	1. Reduce the debt bias for households and the distortions in the housing market, including by supporting the development of the private rental sector. Ensure that the second pillar of the pension system is more transparent, inter-generationally fairer and more resilient to shocks. Implement policies to increase household disposable income, including by strengthening the conditions that support wage growth, while respecting the role of social partners. Address features of the tax system that may facilitate aggressive tax planning, in particular by means of outbound payments, notably by implementing the announced measures. *Split into Sub-CSRs*	**Some Progress.**	1. Take all necessary measures, in line with the general escape clause of the Stability and Growth Pact, to effectively address the COVID-19 pandemic, sustain the economy and support the ensuing recovery. When economic conditions allow, pursue fiscal policies aimed at achieving prudent medium-term fiscal positions and ensuring debt sustainability, while enhancing investment. Strengthen the resilience of the health system, including by tackling the existing shortages of health workers and stepping up the deployment of relevant e-health tools.
	• Reduce the debt bias for households and the distortions in the housing market, including by supporting the development of the private rental sector.	**Some Progress.** The accelerated reduction of the applicable rate for mortgage interest tax deductibility is being implemented from 2020, with the rate being reduced by 3 pps per year to 37% in 2023. While this helps to address the debt bias for households, a substantial subsidy on debt-financed home- ownership remains. The Dutch authorities announced a package of housing market measures in September 2019, aimed primarily at boosting construction, including in the private rental sector. However, their impact remains uncertain.	
	• Ensure that the second pillar of the pension system is more transparent, inter-generationally fairer and more resilient to shocks.	**Some Progress**. The social partners and government reached a framework agreement on pension reform in June 2019. Overall, the agreement aims to address the vulnerabilities in the pension system (such as weak intergenerational fairness (due to 'doorsneesystematiek') and lack of transparency) while maintaining its strengths: compulsory participation, collective implementation, collective risk sharing and supportive tax rules. The agreement holds significant promise and addresses key distortions in the second pillar system (i.e. it removes the	

		structural intergenerational transfers present under the doorsneesystematiek approach and reduces the procyclical impact of the system (as market shocks should no longer impact premiums), while at the same time it will be better equipped to deal with flexible career paths). However, the implementation of some important elements is still ongoing. Some legislative measures have already been taken, but the overall legislative process is expected to take until early 2021, with the new framework gradually being phased in from 2022.	
	• Implement policies to increase household disposable income, including by strengthening the conditions that support wage growth, while respecting the role of social partners.	**Some Progress.** Wage growth is increasing but has remained subdued in real terms in recent years. However, it is expected to pick up in 2020 with a further tightening of the labour market. Wage growth in collective agreements increased on average by 2.6% in 2019 – the fastest pace in 10 years. In addition, the government has taken tax measures for 2020, including raising the working tax credit (arbeidskorting) and the general tax credit (algemene heffingskorting), to stimulate disposable household income.	
	• Address features of the tax system that may facilitate aggressive tax planning, in particular by means of outbound payments, notably by implementing the announced measures.	**Some Progress.** There was some progress in addressing the country-specific recommendation on addressing aggressive tax planning. The Netherlands introduced a conditional withholding tax on royalty and interest payments, which will enter into force in January 2021. However, its effectiveness in addressing the issue of aggressive tax planning remains to be seen.	
	2. Reduce the incentives for the self-employed without employees, while promoting adequate social protection for the self-employed, and tackle bogus self-employment. Strengthen comprehensive life- long learning and upgrade skills notably of those at the margins of the labour market and the inactive. *Split into Sub-CSRs*	**Limited Progress.**	2. Mitigate the employment and social impact of the COVID-19 crisis and promote adequate social protection for the self-employed.

	• Reduce the incentives for the self-employed without employees, while promoting adequate social protection for the self-employed,	**Limited Progress.** In order to reduce incentives for the use of self-employed, the government announced its intention to introduce a general minimum hourly rate of EUR 16 for all self-employed without employees providing services to both business and private clients, in combination with an opt-out of payroll taxes and employee's insurances, as well as parts of labour law, collective agreements and pension obligations for those self-employed applying an hourly rate of EUR 75 or more. A public consultation on the respective draft bills implementing the intended proposals has been launched on 28 October 2019 in view of them becoming law by 1 January 2021. The government is expected to send the final draft bills to Parliament in 2020. The government also announced its intention to gradually decrease the tax deduction and improve social security coverage for self-employed workers. The deduction is set to be reduced by EUR 250 per year until 2028 (when the maximum deductible amount will be EUR 5 000. With respect to a possible social security coverage for sickness/disability for self-employed, the government and social partners decided to introduce mandatory disability insurance for the self-employed as part of their agreement in principle on the reform of the pension system of 5 June 2019. In consultation with organisations representing the self-employed, discussions are ongoing in the 'Stichting van de Arbeid' platform on how to implement this agreement. A concrete proposal [is expected in] early 2020 and it is the government's intention to send a legislative proposal to Parliament before summer 2020. Possibilities to increase the pension coverage for the self-employed on a voluntary basis are currently equally being assessed and results are expected to be presented before summer 2020.	
	• and tackle bogus self-employment.	**Limited Progress.** The suspension of the enforcement of measures adopted to tackle bogus self-employment, initially foreseen until 2020, has been further extended until 2021. Nevertheless, the crite-	

		rion 'under the control and direction' ('gezagsverhouding') has been clarified as of 1 January 2019, while in addition, a draft questionnaire has been developed in view of implementing a web module to qualify the working relationship of self- employed workers, in particular when there is no employment relationship. Further information on the state of play with respect to the development of the web module itself is expected to be provided in 1st quarter 2020.	
	• Strengthen comprehensive life- long learning and upgrade skills notably of those at the margins of the labour market and the inactive.	**<u>Some Progress.</u>** The Dutch government presented in October 2018 a new strategy to create a genuine learning culture and give more ownership to individuals for their training. An important element of it is to promote individual training budgets through the so-called STAP (Stimulans Arbeidsmarktpositie, Stimulus for labour market participation) initiative which replaces the tax deduction for educational expenses. A budget of EUR 200 million per year will be allocated to it. An individual would be able to receive a subsidy of maximum EUR 1 000 to cover training costs. With the STAP budget, anyone with a link to the Dutch labour market could be enabled to use training for their own development and employability. It is scheduled to enter into force scheduled from January 2022. In addition, an internet consultation has been launched in November 2019 with respect to a draft regulation to stimulate lifelong learning in small and medium sized enterprises and the agricultural, hospitality and recreation sectors specifically (SLIM regeling), for which EUR 48 million will be made available annually.	
	3. While respecting the medium-term budgetary objective, use fiscal and structural policies to support an upward trend in investment. Focus investment-related economic policy on research and development in particular in the private sector, on renewable energy, energy efficiency and greenhouse gas emissions reduction strategies and on addressing transport bottlenecks. *Split into Sub-CSRs*	**Some Progress.**	3. Front-load mature public investment projects and promote private investment to foster the economic recovery. Focus investment on the green and digital transition, in particular on digital skills development, sustainable infrastructure and clean and efficient production and use of energy as well as mission-oriented research and innovation.

	• While respecting the medium-term budgetary objective, use fiscal and structural policies to support an upward trend in investment.	**Some Progress.** The Dutch authorities are implementing a fiscal expansion for 2020 and have passed legislation to set-up Invest-NL, a national promotional institution with a mandate to support private-sector investment. However, there remains scope to boost public investment further as the Netherlands has some remaining fiscal space.	
	• Focus investment-related economic policy on research and development in particular in the private sector,	**Limited Progress.** Revised R&D figures show slow progress regarding the private R&D intensity and a slight decline in the public R&D intensity. The total R&D intensity stabilizes, but lags behind the national target of 2.5% in 2020 and the R&D intensity of co- leaders in innovation. Although new policy measures have been announced, their impact remains to be seen.	
	• on renewable energy, energy efficiency and greenhouse gas emissions reduction strategies	**Some Progress.** The Netherlands adopted a Climate Change Act setting greenhouse gas reduction targets for 2030 and 2050, as well as a Climate Agreement with a set of adopted and proposed policies for meeting the 2030 target, including an analysis on investment needs. However, some work still needs to be done to define an overarching and coherent climate investment agenda addressing both public and private sectors.	
	• and on addressing transport bottlenecks.	**Some Progress.** The Government agreement set out a clear path with measures to address the increasing traffic on the road, rail, water and in the air. However, there remains room for further improvement.	
			4. Take steps to fully address features of the tax system that facilitate aggressive tax planning in particular on outbound payments, in particular by implementing the adopted measures and ensuring its effectiveness. Ensure effective supervision and enforcement of the anti-money-laundering framework.

AT	2019 CSRs SGP: - MIP: -	Assessment of implementation of 2019 CSRs February 2020	2020 CSRs SGP: CSR 1 MIP: -
	1. Ensure the sustainability of the health, long-term care, and pension systems, including by adjusting the statutory retirement age in view of expected gains in life expectancy. Simplify and rationalise fiscal relations and responsibilities across layers of government and align financing and spending responsibilities. *Split into Sub-CSRs*	**Limited Progress.**	1. Take all necessary measures, in line with the general escape clause of the Stability and Growth Pact, to effectively address the COVID-19 pandemic, sustain the economy and support the ensuing recovery. When economic conditions allow, pursue fiscal policies aimed at achieving prudent medium-term fiscal positions and ensuring debt sustainability, while enhancing investment. Improve the resilience of the health system by strengthening public health and primary care.
	• Ensure the sustainability of the health,	**Some Progress.** Important reform measures to address the CSR, such as the introduction of the 'target-based governance' system and, the 2017 Primary Healthcare Act, and a reform to merge the 21 social health insurance funds have been adopted in recent years and are now currently being implemented. The reform to merge the 21 social health insurance funds to 5 is also expected to improve efficiency. There is progress, but implementation is not fully on track for every reform and the savings potential of each of the reforms is still unclear. The overutilization of hospital and pharmaceutical care, the general overlap of competencies in the health care sector, and the role of prevention remains to be addressed. According to the second comprehensive monitoring report for the period 2017-2021, the expenditure remains still beneath the ceilings in the years 2017 to 2019.	
	• long-term care,	**Limited Progress.** Despite recent measures, public expenditure for long-term care is still a problem for fiscal sustainability. There have been no substantial changes in the system of service delivery. The abolition of the recourse to assets (Pflegeregress) has led to increased public spending.	
	• and pension systems, including by adjusting the statutory retirement age in view of expected gains in life expectancy.	**Limited Progress.** Past reform efforts were aimed at strengthening the sustainability of the pension system, while recent measures partly do the opposite. The 2020 Pension Adjustment Act (adopted in	

		the run-up to the snap elections at the end of September 2019) not only fails to address sustainability challenges but includes measures that actually undermine previous reform efforts. While a targeted increase of low pension incomes may be justified by the objective of pension adequacy, the undiscounted pension after 45 contribution years thwarts previous efforts to increase the effective pensionable age and also raises fairness issues. Neither does is make sense in the light of recently observed labour market shortages.	
	• Simplify and rationalise fiscal relations and responsibilities across layers of government and align financing and spending responsibilities.	**Limited Progress.** The 2017 Intergovernmental Fiscal Relations Act introduced numerous changes, but cannot be considered a major step to greater tax autonomy or a more transparent assignment of competence. Work in these areas is still ongoing. Implementation of several initiatives introduced by the Act paints a mixed picture. While measures have been taken to simplify the allocation of funds in the fiscal equalisation, measures to improve the efficiency of public spending have been less successful. The plan to introduce a task-oriented allocation of shared taxes to municipalities in the fields of elementary education and compulsory schools was suspended having failed to produce results. It is expected that the first spending reviews to assess the effectiveness and efficiency of subnational public spending in the areas of health care in schools and municipal water management will be finalised in early 2020. The benchmarking model was established for a comparative assessment of the efficiency and effectiveness of subnational spending and is being extended to other policy areas. The Kompetenzbereinigungspaket can be seen as a first step in the right direction, but more needs to be done	
	2. Shift taxes away from labour to sources less detrimental to inclusive and sustainable growth. Support full-time employment among women, including by improving childcare services, and boost labour market outcomes for the low skilled in continued cooperation with the social partners. Raise the	**Limited Progress.**	2. Ensure equal opportunities in education and increased digital learning.

	levels of basic skills for disadvantaged groups, including people with a migrant background. *Split into Sub-CSRs*		
	• Shift taxes away from labour to sources less detrimental to inclusive and sustainable growth.	**Some Progress.** Austria's still high labour tax burden creates significant disincentives for labour demand and supply. However, the labour tax wedge is reduced by recent measures: Family Bonus plus, reduction of employer's accident insurance contribution, lower health contributions for the self-employed and farmers, increase of pensioner's tax credit, traffic tax credit and increased reimbursement of social security contributions for employees and pensioners. A future-oriented strategy to support environmental sustainability, fairness and inclusiveness would require a more comprehensive reform of the tax mix. Several measures go in this direction, but more needs to be done to secure efficiency gains. The following measures have been implemented: greening of the tax system, digital tax package.	
	• Support full-time employment among women, including by improving childcare services,	**Some Progress.** Increased support for childcare facilities and the expansion of all-day schools created more opportunities for parents of young children. The government adopted the Educational Investment Act (Bildungsinvestitionsgesetz).	
	• and boost labour market outcomes for the low skilled in continued cooperation with the social partners.	**No Progress.** No specific measures have been taken so far.	
	• Raise the levels of basic skills for disadvantaged groups, including people with a migrant background.	**Limited Progress.** Austria has taken some measures to improve the basic skills of disadvantaged young people and people with a migrant background. The 'pedagogical package' concentrates on introducing numerical marks and grade repetition. The non-academic lower secondary school reintroduces streaming, while as of 2022 new methods to determine school readiness should be available. While the numbers of places in early childhood education and care and all-day schools have been increased, their quality needs to be assured to have a positive impact on basic skills. Inter-	

		national and national testing has not detected particular improvements among disadvantaged young people, including those with a migrant background.	
	3. Focus investment-related economic policy on research and development, innovation, digitalisation, and sustainability, taking into account regional disparities. Support productivity growth by stimulating digitalisation of businesses and company growth and by reducing regulatory barriers in the service sector. *Split into Sub-CSRs*	**Some Progress.**	3. Ensure an effective implementation of liquidity and support measures, in particular for small and medium-sized enterprises, and reduce administrative and regulatory burden. Front-load mature public investment projects and promote private investment to foster the economic recovery. Focus investment on the green and digital transition, in particular on basic and applied research, as well as innovation, sustainable transport, clean and efficient production and use of energy.
	• Focus investment-related economic policy on research and development, innovation,	**Some Progress.** In order to direct R&I investments to more innovation output, the previous government proposed an 'excellence initiative' to strengthen competitive basic research. Strategic planning has been completed and it is for the new government to decide on its implementation. Progress will be assessed again in 2020, when the new government is in place.	
	• digitalisation,	**Some Progress.** Digitalisation has been a political priority in Austria for some time. The caretaker government continued to implement useful initiatives in all areas of digitalisation, but it did not provide the major political impetus expected for 2019 (year of digitalisation). Overall coherence and thus the actual impact of digitalisation policy efforts would benefit in particular from the adoption of specific, measurable targets. Gaps also remain in digital infrastructure.	
	• and sustainability, taking into account regional disparities.	**Limited Progress.** Public investments from the climate and energy fund decreased in 2018, compared to the previous year. Comparing the two latest available federal subsidies reports (2018 and 2017), disbursements went down in all three relevant sub-items of subsidy category 43 (environment, energy and climate): climate and energy fund: 2018: €39.8 million; 2017: €42.12 million; thermal insulation:	

		2018: €37.12 million; 2017: €39.67 million; and environmental subsidies: 2018: €49.89 million; 2017: €56.73 million. However, private investments in the ecological transition have gained in significance due to public and private investors' growing interest in sustainable financing and a wider range of green finance opportunities. A recent country report by the environmental, social and corporate governance (ESG) investment rating agency Sustainalytics considered Austria a leader on ESG, ranking it 4th out of 172 in 2018.	
	• Support productivity growth by stimulating digitalisation of businesses and company growth	**<u>Some Progress.</u>** The *KMU Digital* programme has been prolonged and expanded. It now also supports SMEs' digitalisation projects. The Digitalisation Agency has launched many initiatives and projects to facilitate business digitalisation. Three digital innovation hubs have been created to support SME digitalisation. No major new policy initiatives have been taken on business digitalisation.	
	• and by reducing regulatory barriers in the service sector.	**<u>Limited Progress.</u>** Services sector firms profited from burden reduction measures, e.g. the Rechtsbereinigungsgesetz and the anti-gold-plating law. However, no progress was made in 2019 as regards restrictions on retail and the specific restrictions of professions identified in 2017. Recent changes of professional regulation for civil engineers and patent attorneys did not remove restrictions identified by the Commission. Regulatory density for key professions and trades remains high.	
			4. Make the tax mix more efficient and more supportive to inclusive and sustainable growth.

PL	2019 CSRs SGP: CSR 1 MIP: -	Assessment of implementation of 2019 CSRs February 2020	2020 CSRs SGP: CSR 1 MIP: -
	1. Ensure that the nominal growth rate of net primary government expenditure does not exceed 4.4% in 2020, corresponding to an annual structural adjustment of 0.6% of GDP. Take further steps to improve the efficiency of public spending, including by improving the budgetary system. *Split into Sub-CSRs*	**Limited Progress** (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact).	1. Take all necessary measures, in line with the general escape clause of the Stability and Growth Pact, to effectively address the COVID-19 pandemic, sustain the economy and support the ensuing recovery. When economic conditions allow, pursue fiscal policies aimed at achieving prudent medium-term fiscal positions and ensuring debt sustainability, while enhancing investment. Improve resilience, accessibility and effectiveness of the health system, including by providing sufficient resources and accelerating the deployment of e-health services.
	• Ensure that the nominal growth rate of net primary government expenditure does not exceed 4.4% in 2020, corresponding to an annual structural adjustment of 0.6% of GDP.	No assessment of compliance with the Stability and Growth Pact.	
	• Take further steps to improve the efficiency of public spending, including by improving the budgetary system.	**Limited Progress** has been made in improving the efficiency of public spending: works to reform the budget system initiated in 2016 were continued in 2019. The main effort focuses currently on multiannual budget planning, modernisation of the Standard Chart of Accounts and efficiency of spending (spending reviews). The overall reform will be time-consuming and its final implementation date has not yet been communicated.	
	2. Ensure the adequacy of future pension benefits and the sustainability of the pension system by taking measures to increase the effective retirement age and by reforming the preferential pension schemes. Take steps to increase labour market participation, including by improving access to childcare and long-term care, and remove remaining obstacles to more permanent types of employment. Foster quality education and skills relevant to the labour market, especially through adult learning. *Split into Sub-CSRs*	**Limited Progress.**	2. Mitigate the employment impact of the crisis, in particular by enhancing flexible and short-time working arrangements. Better target social benefits and ensure access to those in need. Improve digital skills. Further promote the digital transformation of companies and public administration.
	• Ensure the adequacy of future pension benefits and the sustainability of the pension system by taking measures to increase the effective CSR 2 retirement age	**No Progress.** Preferential pension schemes were not reformed. Poland did not take any new targeted action aiming at the increase of the effective retirement age.	

	and by reforming the preferential pension schemes.		
	• Take steps to increase labour market participation, including by improving access to childcare and long-term care, and remove remaining obstacles to more permanent types of employment.	**Limited Progress.** Labour market participation increased, although for certain groups it is still below EU average. Access to childcare increased but still constitutes a major challenge for the age group 0-3. Access to long-term care still remains very limited, as this is mainly provided within families. Poland did not undertake major actions removing the remaining obstacles to more permanent types of employment.	
	• Foster quality education and skills relevant to the labour market, especially through adult learning.	**Limited Progress.** Overall, Poland has made limited progress regarding the quality of education. The latest school system reorganisation has led to worse working and learning conditions in many schools, which were aggravated due to the double cohort of students who entered secondary schools in 2019. Although the 2018 PISA results showed Polish 15 year-olds performing very well in basic skills, the latest reorganisation of school education has changed the previous system, including the phase-out of lower secondary schools (gymnasia). Shorter common general education period and earlier channelling of pupils is likely to increase the risk of educational inequalities, in particular between urban and rural areas. Since school resources remain limited, all this is very likely to affect the quality of educational outcomes and students' performance in basic skills. The new law of 25/07/2019 on teacher education aims to improve the quality of initial teacher education. No measures have been taken to improve the quality and relevance of continued professional development opportunities. Despite increases by almost 15% in 2019, teachers' salaries are low in comparison with those of other tertiary educated workers in Poland, which makes teaching careers less attractive, contributing to shortages and negative selection. The level of enthusiasm of teaching staff is among the lowest in the EU, as reflected in the 2018 PISA results. The 2018 reform of higher education progresses steadily. The reform has changed the funding mode,	

		management and evaluation of higher education institutions. New quality assurance institutions focusing on scientific outputs have been created. It is uncertain whether the reform will contribute to improving the quality of teaching, the pedagogical preparation and the continued professional development of lecturers.	
	3. Strengthen the innovative capacity of the economy, including by supporting research institutions and their closer collaboration with business. Focus investment-related economic policy on innovation [Focus investment-related economic policy on] transport, notably on its sustainability [Focus investment-related economic policy on] digital [infrastructure] [Focus investment-related economic policy on] energy infrastructure [Focus investment-related economic policy on] healthcare [Focus investment-related economic policy on] cleaner energy, taking into account regional disparities Improve the regulatory environment, in particular by strengthening the role of consultations of social partners and public consultations in the legislative process. *Split into Sub-CSRs*	**Limited Progress.**	3. Continue efforts to secure access to finance and liquidity for companies. Front-load mature public investment projects and promote private investment to foster the economic recovery. Focus investment on the green and digital transition, in particular on digital infrastructure, clean and efficient production and use of energy, and sustainable transport, contributing to a progressive decarbonisation of the economy, including in the coal regions.
	• Strengthen the innovative capacity of the economy, including by supporting research institutions and their closer collaboration with business.	**Some Progress.** Poland has taken measures to support its research institutions through the implementation of the Act on Higher Education, encompassing, among others, the selection of research-intensive universities and their increased funding, the reform of the evaluation criteria for research organisations in a way that encourages international co-operation, a new system for doctoral schools and a re-configuration of the university council which, through the inclusion of external stakeholders, places more emphasis on universities' socio-economic impact. Polish research institutions can be further strengthened through the current reform of the Polish Academy of Science, the consolidation of the Łukasiewicz Research Network and the setting up of the Virtual Research Institute in the area of medical biotechnology - oncology. Science-business links can be enhanced through the research	

		commercialisation potential of the Łukasiewicz Network, as well as through the 'School for Innovators' pilot-project run by the Centre for Citizenship Education with the aim of developing students' entrepreneurial skills and the continuation of the industrial doctorate programme. Poland is supporting the business sector in its transition to the industry 4.0 through the 'Industry for the Future' platform, which is organising a series of workshops for entrepreneurs.	
	• Focus investment-related economic policy on innovation	**Limited Progress.** The National Strategy of Regional Development 2030 adopted in September 2019 includes investment activities in the field of innovation. This is a significant, albeit insufficient measure as it mostly focuses on strengthening cohesion and reducing inter-regional disparities, including in innovation. Innovation diffusion and reducing regional disparities are important policy goals, but supporting the advanced regions is also equally important, given that they have the greatest potential for creating breakthrough innovations. The regional approach outlined in the National Strategy of Regional Development 2030 needs to be balanced by a national investment strategy in innovation. The diversification and increased attractiveness of R&D tax incentives can strengthen the innovative potential of the Polish economy.	
	• [Focus investment-related economic policy on] transport, notably on its sustainability	**Limited Progress.** The information provided so far is lacking in sufficient level of detail. Some key documents have been referred to. However, there is no description of the ongoing or planned activities. In particular, it has not been explained how the investments undertaken and the accompanying regulatory, operational, financial or fiscal actions will increase the role and share of sustainable modes of transport. This concerns in particular: - shifting freight traffic from road to rail; - boosting the competitiveness of railways against road transport in passenger traffic; - reconstruction of the public transport services in rural areas;	

		- transfer of passenger traffic in urban areas from individual to public transport and sustainable forms of mobility.	
	• [Focus investment-related economic policy on] digital [infrastructure]	**Some Progress.** In 2019, Poland adopted a set of measures to support demand and supply for fast and ultrafast networks, mainly by amending broadband legislation (Ustawa o wspieraniu rozwoju usług i sieci telekomunikacyjnych – the Telecommunications Networks and Services Development Support Act) which includes, among others, setting up a new broadband fund. These measures address the country-specific recommendation for 2019. However, a fair amount of work on their practical implementation in order to fully address the country-specific recommendation is not scheduled until 2020 and 2021.	
	• [Focus investment-related economic policy on] energy infrastructure	**Some Progress.** Crucial transboundary gas and electricity infrastructure investments are progressing well with small delays registered in the development of the gas interconnectors with Lithuania and Slovakia. The internal electricity network requires significant investments for it to be sufficiently developed.	
	• [Focus investment-related economic policy on] healthcare	**Limited Progress.** The National Strategy of Regional Development 2030 was adopted in September 2019. It includes investment activities related to the health care system. The Partnership Agreement and the Operational Programmes for 2021-2027 Programming Period are being drafted.	
	• [Focus investment-related economic policy on] cleaner energy, taking into account regional disparities	**Limited Progress.** Regarding electricity generation, the recent regulatory changes and support schemes have given a new impetus to on-shore wind investments and stronger role of prosumers in the years to come. However, most of the new and planned investments in electricity generation in 2019-2020 are based on coal and gas sources. Consequently, achieving the 2020 renewable target is likely to be difficult. Following the upward trend in energy consumption since 2014, Poland was not on track in 2018 to reach the 2020 energy efficiency targets. There is a limited progress in decarbonisa-	

		tion of heating sources in buildings and improvements of buildings energy efficiency to enable their cleaner operation, especially during winter. Additional efforts in this respect will have positive impact on the air quality, as well.	
	• Improve the regulatory environment, in particular by strengthening the role of consultations of social partners and public consultations in the legislative process.	**No Progress.** The lack of public consultation on the alternative legislative tracks (e.g. draft law proposals submitted by the Members of Parliament) has not been addressed. These alternative legislative paths allow de facto omission of public consultations, affect the overall quality of laws and remain a source of substantial uncertainty for citizens and businesses.	
			4. Enhance the investment climate, in particular by safeguarding judicial independence. Ensure effective public consultations and involvement of social partners in the policy-making process.

PT	2019 CSRs SGP: CSR 1 MIP: CSR 1, 2, 3, 4	Assessment of implementation of 2019 CSRs February 2020	2020 CSRs SGP: CSR 1 MIP: CSR 1, 2, 3, 4
	1. Achieve the medium-term budgetary objective in 2020, taking into account the allowance linked to unusual events for which a temporary deviation is granted. Use windfall gains to accelerate the reduction of the general government debt ratio. Improve the quality of public finances by prioritising growth-enhancing spending while strengthening overall expenditure control, cost efficiency and adequate budgeting, with a focus in particular on a durable reduction of arrears in hospitals. Improve the financial sustainability of state-owned enterprises, while ensuring more timely, transparent and comprehensive monitoring. *Split into Sub-CSRs*	**Limited Progress** (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact).	1. Take all necessary measures, in line with the general escape clause of the Stability and Growth Pact, to effectively address the COVID-19 pandemic, sustain the economy and support the ensuing recovery. When economic conditions allow, pursue fiscal policies aimed at achieving prudent medium-term fiscal positions and ensuring debt sustainability, while enhancing investment. Strengthen the resilience of the health system and ensure equal access to quality health and long-term care.
	• Achieve the medium-term budgetary objective in 2020, taking into account the allowance linked to unusual events for which a temporary deviation is granted. Use windfall gains to accelerate the reduction of the general government debt ratio.	The compliance assessment with the Stability and Growth Pact will be included in Spring when final data for 2019 will be available.	
	• Improve the quality of public finances by prioritising growth-enhancing spending while strengthening overall expenditure control, cost efficiency and adequate budgeting, with a focus in particular on a durable reduction of arrears in hospitals.	**Limited Progress.** Public investment is projected to fall short of initial plans of the government in 2019 and, despite the expected increase in 2020, to remain significantly below the averages for the EU and the euro area. Overall, expenditure control, cost efficiency and adequate budgeting continue to be tackled within the framework of the ongoing review of public expenditure, including in the health sector. In particular, a new fully-fledged programme to strengthen the overall sustainability of the health system started being implemented in 2019, and a formal structure to evaluate the managing of public hospitals was created in June 2019. Nevertheless, after having decreased visibly in December 2018, mainly as a result of sizeable ad-hoc clearance measures in that year, hospital arrears are back on a steadily increasing path since July 2019.	

	• Improve the financial sustainability of state-owned enterprises, while ensuring more timely, transparent and comprehensive monitoring.	**Limited Progress.** Overall, state-owned enterprises continue to struggle to achieve a balanced financial position. At the same time, the debt of public non-financial state-owned enterprises included in general government has continued to decrease, though at a decelerating pace. Some measures to strengthen the sustainability of state-owned enterprises are only being gradually implemented, including the analysis of quarterly data aiming to identify and correct in a timely manner deviations from the approved budgets. The capital structure of a series of state-owned enterprises has been strengthened through sizeable capital injections, and the liquidation of unprofitable or redundant firms has continued. Transparency regarding their financial position has improved somewhat through the publication of aggregate quarterly financial data within a shorter timeframe.	
	2. Adopt measures to address labour market segmentation. Improve the skills level of the population, in particular their digital literacy, including by making adult learning more relevant to the needs of the labour market. Increase the number of higher education graduates, particularly in science and information technology. Improve the effectiveness and adequacy of the social safety net. *Split into Sub-CSRs*	**Some Progress.**	2. Support employment and prioritise measures to preserve jobs. Guarantee sufficient and effective social protection and income support. Support the use of digital technologies to ensure equal access to quality education and training and to boost firms' competitiveness.
	• Adopt measures to address labour market segmentation.	**Some Progress.** Following the tripartite agreement signed in 2018, new changes were introduced from October 2019 in the labour code, the code of contributory schemes, the legal framework for protection of employees, the framework of active labour market policies and other complementary legislation. The Labour Inspection Authority was reinforced and a new programme towards the extraordinary regularization of precarious employment contracts in civil service is ongoing. A temporary support to firms to convert temporary contracts into permanent contracts was set up (Converte +).	
	• Improve the skills level of the population, in particular their digital literacy, including	**Some Progress.** The Qualifica programme participation keeps growing and a significant number of	

	by making adult learning more relevant to the needs of the labour market.	persons increased their educational attainment through the programme. More detailed follow-up data is needed to assess the measure more comprehensively. INCoDe.2030 is implementing several initiatives to improve the digital skills deficit of the population but to achieve the expected result Portugal needs to scale up the projects addressing digital literacy and go beyond the pilot phase.	
	• Increase the number of higher education graduates, particularly in science and information technology.	**Some Progress.** The government has put in place several measures to ease the access to higher education and increase enrolment. Number of students enrolled in higher education increased, as well as for graduates. However, those on science and information technology remain low in percentage.	
	• Improve the effectiveness and adequacy of the social safety net.	**Limited Progress.** Despite the improvements made in some social benefits in recent years, and the new measures that were announced for the incoming years, no specific measures have yet been taken to address this recommendation. Furthermore, the poverty reduction capacity of social transfers (other than pensions) as well as its adequacy, remain comparatively low in Portugal.	
	3. Focus investment-related economic policy on research and innovation, railway transport and port infrastructure, low carbon and energy transition and extending energy interconnections, taking into account regional disparities. *Split into Sub-CSRs*	**Limited Progress.**	3. Implement the temporary measures aimed at securing access to liquidity for firms, in particular SMEs. Front-load mature public investment projects and promote private investment to foster the economic recovery. Focus investment on the green and digital transition, in particular on clean and efficient production and use of energy, rail infrastructure and innovation.
	• Focus investment-related economic policy on research and innovation,	**Limited Progress.** The implementation of the Portugal 2020 strategy (the EU support framework for 2013-2020) is well underway and a reprogramming aimed at assigning additional funding to investments in innovation was conducted in 2019. The INTERFACE scheme aims to strengthen the country's cluster policy focus mainly in the creation of CoLABs and the existing tax and financial R&D incentives. However, Initiatives towards counter the low existing cooperation among different key players mobilizing higher education institutions (universities and polytechnic institutes) and business firms were very limited. Progress on innovation performance	

		was accomplished and the Portugal is now placed first in the "Moderate innovators" group by the European Innovation Scoreboard 2019 but business investments and co-publications public-private rates together with patenting remain well below EU average. The R&D intensity marginally increased in 2018 of 0.04 points to 1.37% of GDP as compared to 2017 confirming recent trends but values remains below EU average and distant of the country target of 3% for 2030. Thus, further investments and policy efforts are necessary in particular to foster linkages between R&D actors and businesses and support a thriving innovation driven economy.	
	• railway transport and port infrastructure,	**Limited Progress.** There has been limited progress with the main railway CEF co-funded projects of the Programme Ferrovia 2020 and the pace of execution has been slow. The tendering procedures for the 2020 investments are still to be launched. The investment situation has however improved when compared to the 2007-2013 period, when most grant agreements had to be cancelled. There is also limited progress in port investments. The public tender for the new investment project in the container terminal in Sines (Terminal Vasco da Gama) has been launched, but the concession has not yet been attributed and investments have not yet started. The public tendering for the new container terminal in Barreiro is yet to be launched.	
	• low carbon and energy transition and extending energy interconnections, taking into account regional disparities.	**Some Progress.** Measures are being taken to increase the deployment of renewable energy. The solar PX auction held in July was successful in attracting investment commitments for deploying new solar capacity (1.2 GW) at competitive prices. The adoption in October 2019 of the new regulatory framework addressing self- consumption and renewables communities should also provide incentives for decentralised energy investments. Still, challenges remain to streamline administrative procedures with respect to new renewables projects. Progress has been limited on the energy efficiency front, with primary energy consumption rising between 2014 and 2017. However, the government	

		has announced additional measures such as raising awareness and revising the regulation in industry, buildings and transport, which would have a positive impact on energy efficiency investments. Portugal has been actively involved in regional fora to improve energy connectivity of the Iberian Peninsula. Further progress is needed to advance the new electrical interconnection between Portugal (Minho) and Spain (Galicia). Portugal is on track to achieve its effort sharing emission target where further emissions reductions in sectors such as transport, buildings, agriculture and waste can be a cost-efficient way for the EU to reach its overall target.	
	4. Allow for a swifter recovery of the collateral tied to non-performing loans by increasing the efficiency of insolvency and recovery proceedings. Reduce the administrative and regulatory burden on businesses, mainly by reducing sector-specific barriers to licensing. Develop a roadmap to reduce restrictions in highly regulated professions. Increase the efficiency of administrative and tax courts, in particular by decreasing the length of proceedings. *Split into Sub-CSRs*	**Limited Progress.**	4. Increase the efficiency of administrative and tax courts
	• Allow for a swifter recovery of the collateral tied to Some Progress. The efficiency of insolvency and non-performing loans by increasing the efficiency of insolvency and recovery proceedings.	**Some Progress.** The efficiency of insolvency and recovery proceedings has been increasing at a slow pace, notwithstanding some reforms and the introduction of technology in some instances. Overall time lags are still very high in European comparison.	
	• Reduce the administrative and regulatory burden on businesses, mainly by reducing sector-specific barriers to licensing.	**Limited Progress.** Over the last years several measures introduced mainly under the SIMPLEX+ programme favoured improvements in the business environment overall, especially when it comes to the introduction of the once- only principle and e-government policies. New initiatives were launched in 2019 through SIMPLEX+ and Capitalizar programmes addressing the business environment, due for implementation in the coming months, such as a funding portal for firms and the introduction of a modernised early warning mechanism. However limited progress was achieved in	

		reducing sector- specific burden for licensing. Reforms seldom replace ex ante by ex post controls, or even rely on responsible declarations to replace the numerous authorisation schemes in place. Long procedural deadlines for decision and even absence of tacit approval persist. In 2019, progress in this respect was recorded only for pressure equipment. The roll out of the Point of Single Contact for service activities and regulated professions is progressing slowly. Portugal is making efforts, including with the cooperation with the Structural Reform Support Service, to improve regulatory impact assessment, in particular with the ambition to introduce cost- benefit analysis and to put in place an effective consultation system.	
	• Develop a roadmap to reduce restrictions in highly regulated professions.	**No Progress.** No progress has been made in reducing regulatory restrictions on highly regulated professions, which remain sheltered from competition. A roadmap to reduce restrictions in highly regulated professions has not been developed. This is despite repeated recommendations from the European Commission and the recommendations from the OECD and Portuguese Competition Authority (2018).	
	• Increase the efficiency of administrative and tax courts, in particular by decreasing the length of proceedings.	**Some Progress.** The clearance rate in administrative and tax courts has increased and there has been a reduction in case backlogs and disposition time. However, proceedings before tax and administrative courts remain among the lengthiest in the EU. Measures aiming at further improvements continue to be implemented.	

RO	**2019 CSRs** **SGP: CSR 1** **MIP: CSR 1, 2, 3, 5**	**Assessment of implementation of 2019 CSRs** **February 2020**	**2020 CSRs** **SGP: CSR 1** **MIP: CSR 4**
	1. Ensure compliance with the Council recommendation of 14 June 2019 with a view to correcting the significant deviation from the adjustment path toward the medium-term budgetary objective. Ensure the full application of the fiscal framework. Strengthen tax compliance and collection. *Split into Sub-CSRs*	**Limited Progress** (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact).	1. Pursue fiscal policies in line with the Council's recommendation of 3 April 2020[10] , while taking all necessary measures to effectively address the pandemic, sustain the economy and support the ensuing recovery. Avoid the implementation of permanent measures that would endanger fiscal sustainability. Strengthen the resilience of the health system, including in the areas of health workers and medical products, and improve access to health services.
	• Ensure compliance with the Council recommendation of 14 June 2019 with a view to correcting the significant deviation from the adjustment path toward the medium-term budgetary objective.	Compliance with the Stability and Growth Pact is outside the scope of assessment of the Country Specific Recommendations in the Country Report.	
	• Ensure the full application of the fiscal framework.	**No Progress.** As in previous years, the national fiscal framework has not been respected. The fiscal rules laid down in the Fiscal Responsibility Law "remained inoperable" with respect to the 2019 and 2020 budgetary laws, as the authorities continued its practice of derogating from them (Fiscal Council 2019a and 2019d). In particular, the 2019 budget target of a headline deficit of 2.76% of GDP was inconsistent with the structural deficit rule. Budget amendments adopted in August and November 2019 also derogated from a number of rules, in particular, in the latter case, by increasing the 2019 deficit target to 4.4% of GDP (Fiscal Council, 2019c). Moreover, as in previous years, the authorities did not send an update of the medium-term fiscal strategy to Parliament by the statutory August deadline, thereby undermining its guiding role. The 2020 budget and the accompanying fiscal strategy also derogated from several fiscal rules, in particular by targeting a headline deficit of 3.6% of GDP (Fiscal Council, 2019d and 2019e).	
	• Strengthen tax compliance and collection.	**Limited Progress.** Compliance ratios for filing tax declarations have remained relatively stable. The VAT gap is estimated to have dropped marginally	

		from 35.9% in 2016 to 35.5% in 2017 and, according to preliminary estimates, to have fallen to 32% in 2018. However, it still is among the highest in the EU. The National Agency for Fiscal Administration did not meet its revenue collection targets for 2019, partially because of an over-optimistic prognosis of these targets.	
	2. Safeguard financial stability and the robustness of the banking sector. Ensure the sustainability of the public pension system and the long-term viability of the second pillar pension funds. *Split into Sub-CSRs*	**Some Progress.**	2. Provide adequate income replacement and extend social protection measures and access to essential services for all. Mitigate the employment impact of the crisis by developing flexible working arrangements and activation measures. Strengthen skills and digital learning and ensure equal access to education.
	• Safeguard financial stability and the robustness of the banking sector.	**Substantial Progress.** The bank tax on total assets introduced by Government Emergency Ordinance 114/2018 was removed starting from the beginning of 2020.	
	• Ensure the sustainability of the public pension system and	**No Progress.** Fiscal sustainability indicators point to high risks. Due to a high structural primary deficit (which is driven by the significant pension increases contained in the new pension law of summer 2019), and assuming no-policy change, the debt-to-GDP ratio is set on a fast increasing and upward path. It is projected to rise from 35% in 2018 to beyond the 90% of GDP by 2030. The medium-term sustainability gap indicator ('S1') nearly quadrupled with respect to last year and is now among the highest in the EU. This means that Romania would require a significant fiscal adjustment to achieve the debt target of 60% of GDP in 2034. The long-term fiscal sustainability indicator ('S2'), points to a required fiscal adjustment of 8.8 pps of GDP in order to ensure that the public debt ratio stabilises over the long term. This value, one of the highest among EU countries, is driven by the initial budgetary position (a contribution of 5.1 pps of GDP) and ageing costs, in particular pensions and health care (a contribution of 3.7 pps of GDP). Both items are driven by the new pension law.	
	• the long-term viability of the second pillar pension funds.	**Some Progress.** Several provisions of GEO 114/2018 that threatened the long term viability of the second pension pillar were repealed or	

		amended at the beginning of 2020. Thus, the possibility of opting out of the second pension pillar after a contributory period of 5 years was eliminated and the increased minimum capital requirements were eliminated. Also, the significant reduction of the administrative fees that second pension pillar fund management companies can charge was reversed. These administration fees were even further modified, but without prior impact assessment consulted with all relevant stakeholders.	
	3. Improve the quality and inclusiveness of education, in particular for Roma and other disadvantaged groups. Improve skills, including digital, notably by increasing the labour market relevance of vocational education and training and higher education. Increase the coverage and quality of social services and complete the minimum inclusion income reform. Improve the functioning of social dialogue. Ensure minimum wage setting based on objective criteria, consistent with job creation and competitiveness. Improve access to and cost-efficiency of healthcare, including through the shift to outpatient care. *Split into Sub-CSRs*	**Limited Progress.**	3. Ensure liquidity support to the economy for the benefit of businesses and households, particularly SMEs and the self-employed. Front-load mature public investment projects and promote private investment to foster the economic recovery. Focus investment on the green and digital transition, in particular on sustainable transport, digital service infrastructure, clean and efficient production and use of energy and environmental infrastructure, including in the coal regions.
	• Improve the quality and inclusiveness of education, in particular for Roma and other disadvantaged groups.	**Limited Progress.** Challenges of quality and inclusiveness of education persist, in particular, in particular in rural areas and for Roma and other disadvantaged groups, with consistent low educational outcomes and high rates of early school leaving. Some reforms are underway but their implementation is delayed and results are yet to be seen.	
	• Improve skills, including digital, notably by increasing the labour market relevance of vocational education and training and higher education.	**No Progress.** Urgent measures are needed to address problems with the acquisition of basic skills at school and improve the digital literacy of the population. The percentage of young people who assess their digital skills as low is the highest in the EU (41% vs 14% EU average). Students enrolled in VET programs have limited exposure to work-based learning. The low labour market relevance of vocational education and training and higher edu-	

		cation has a negative impact on graduates' job prospects (69% of VET graduates are employed vs 79.5% EU average). The ESF is supporting efforts to increase the relevance of VET, but a comprehensive reform is lacking.	
	• Increase the coverage and quality of social services	**Limited Progress.** The social reference index, used as a basis for most social benefits, has not been updated since its introduction in 2008. Progress in the provision of social services remains insufficient, in particular in rural areas. Misalignment between decentralization of social services and financial means increased further in 2019, with a negative impact on the effectiveness and quality of service delivery at local level and for poor communities. The EU co-funded pilot project to introduce integrated teams at community level is under implementation with the first visible results expected in 2020.	
	• Complete the minimum inclusion income reform.	**No Progress.** The implementation of the minimum inclusion income has been again postponed to 2021.	
	• Improve the functioning of social dialogue.	**Limited Progress.** The involvement of social partners in policymaking remains limited. Despite the established framework, this remains rather a procedural requirement than a genuine dialogue. The authorities report increased rates of collective bargaining coverage (45% in 2019). This could result from collective bargaining becoming temporarily mandatory for all employers, following the shift of social security contributions in 2017. However, the situation of collective bargaining at sector level has not changed. Discussions on changes to the legislative framework and the revision of sectors have stalled.	
	• Ensure minimum wage setting based on objective criteria, consistent with job creation and competitiveness.	**Limited Progress.** According to the authorities, the increase in the minimum wage as of 1 January 2020 was based on a formula taking several economic indicators into account, such as the inflation rate and labour productivity. The decision was preceded by discussions with the trade unions and employers' organisations. However, an objective mechanism is not yet in place.	

	• Improve access to and cost-efficiency of healthcare, including through the shift to outpatient care.	**Limited Progress.** There has been limited progress in improving access to healthcare. Unmet needs for medical examination reported by patients are high and increasing again. A sustained policy of incentivising healthcare delivered outside of hospital inpatient settings by the National Insurance House may trigger a natural shift towards ambulatory care. The overall policy measures of the Romanian health system to facilitate this shift did not improve.	
	4. Focus investment-related economic policy on transport, notably on its sustainability, low carbon energy and energy efficiency, environmental infrastructure as well as innovation, taking into account regional disparities. Improve preparation and prioritisation of large projects and accelerate their implementation. Improve the efficiency of public procurement and ensure full and sustainable implementation of the national public procurement strategy. *Split into Sub-CSRs*	**Limited Progress.**	4. Improve the quality and effectiveness of public administration and the predictability of decision-making, including through an adequate involvement of social partners.
	• Focus investment-related economic policy on transport, notably on its sustainability, low carbon energy and energy efficiency, environmental infrastructure as well as innovation, taking into account regional disparities.	**Limited Progress.** Limited progress was made in drafting feasibility studies for upgrading railway infrastructure, and work is lagging considerably behind. This is mostly due to a lack of administrative capacity and inefficient procurement procedures. European grants have been allocated to develop a multi-standard open-access fast charging network along the TEN-T core network corridors. However, no projects are planned so far to ensure alternative clean fuel supply facilities in ports. There has been some progress in environmental infrastructure investment, especially in waste water projects, and the implementation of projects accelerated towards the end of 2019. In other areas, progress is more limited, particularly for waste projects. With regard to nature/biodiversity and air projects there has been no real progress, even though funds are available. No progress was made on research and innovation. Reported official measures are insufficient to address both the under-financing of R&I	

		and the structural problems in the public science base and R&D private sector. Without a significant increase in the public R&D budget plus related regulatory measures to increase R&D quality and innovation, little progress is expected.	
	• Improve preparation and prioritisation of large projects and accelerate their implementation.	**Limited Progress.** In the twin context of the current EU cohesion policy funds implementation and the preparation of the next programming period (2021-2027), the Romanian authorities have started to speed up the implementation of large projects and have submitted to the Commission a number of projects in fields such as transport, health and wastewater management. However, the Fiscal Strategy 2020-2022 adopted in December 2019 contains low levels of planned capital expenditure and of planned spending on projects co-financed by the EU.	
	• Improve the efficiency of public procurement and ensure full and sustainable implementation of the national public procurement strategy.	**Some progress.** While some progress in the implementation of certain commitments under the national public procurement strategy has been made, others were stopped or even reversed. The new eprocurement system, the adoption of an ambitious national professionalisation strategy as well as the newly functional centralised public procurement body (ONAC) are positive examples. However, the changes to the ex-ante control mechanism create significant risks in terms of the efficiency and implementation of EU funds. Moreover, the persistent unpredictability of the legislative changes in the public procurement field, made without prior public consultations and relevant impact assessments, reinforces the lack of confidence in the public procurement system and ultimately affects its efficiency.	
	5. Ensure that legislative initiatives do not undermine legal certainty by improving the quality and predictability of decision-making, including by appropriate stakeholder consultations, effective impact assessments and streamlined administrative procedures. Strengthen the corporate governance of state-owned enterprises.	**No Progress.**	

	Split into Sub-CSRs		
	• Ensure that legislative initiatives do not undermine legal certainty by improving the quality and predictability of decision-making, including by appropriate stakeholder consultations, effective impact assessments and streamlined administrative procedures.	**No Progress.** Predictability of decision making remains a concern, with no tangible progress. Less than 30% of the annual government plan is respected and the number of emergency ordinances is still very high, with some having major socio-economic impact (Ex. GEO 114/2018). There is no mandatory ex-ante impact assessment for emergency ordinances and no requirement for public consultations. The quality and effective use of ex-ante regulatory impact assessments continue to vary significantly, with no legal institutional framework for a quality control function at governmental level. Moreover, although different formal structures exist, the quality of public consultations is deteriorating. Public consultations are generally perceived as formal and of low quality, and the involvement of social partners and other relevant stakeholders is limited. Social partners and other relevant stakeholders report not being adequately consulted. However, several EU funded projects are ongoing to reinforce the methodology and tools for regulatory impact assessments and to increase know- how across the central public administration. In March 2019, a new version of the online platform for public consultations was launched to facilitate interactions between authorities and relevant stakeholders. Important legislation amending government emergency ordinance 114/2018 was adopted in the first half of the year without impact assessment and proper stakeholder consultation.	
	• Strengthen the corporate governance of state-owned enterprises.	**No Progress.** The corporate governance law is still only loosely applied. The appointment of interim boards has become a standard practice. The financial penalties applied for administrative offences are symbolic and do not have the power to change the overall behaviour. The operational and financial results of most state-owned enterprises deteriorated in 2019.	

SI	**2019 CSRs** **SGP: CSR 1** **MIP: -**	**Assessment of implementation of 2019 CSRs** **February 2020**	**2020 CSRs** **SGP: CSR 1** **MIP: -**
	1. Achieve the medium-term budgetary objective in 2020. Adopt and implement reforms in healthcare and long-term care that ensure quality, accessibility and long-term fiscal sustainability. Ensure the long-term sustainability and adequacy of the pension system, including by adjusting the statutory retirement age restricting early retirement and other forms of early exit from the labour market. Increase the employability of low-skilled and older workers by improving labour market relevance of education and training, lifelong learning and activation measures, including through better digital literacy. *Split into Sub-CSRs*	**Limited Progress** (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact).	1. In line with the general escape clause, take all necessary measures to effectively address the pandemic, sustain the economy and support the ensuing recovery. When economic conditions allow, pursue fiscal policies aimed at achieving prudent medium-term fiscal positions and ensuring debt sustainability, while enhancing investment. Ensure the resilience of the health and long-term care system, including by providing the adequate supply of critical medical products and addressing the shortage of health workers.
	• Achieve the medium-term budgetary objective in 2020.	The compliance assessment with the Stability and Growth Pact will be included in Spring when final data for 2019 will be available.	
	• Adopt and implement reforms in healthcare	**Limited Progress.** The Member State has not yet presented the legislative act (Health Care and Health Insurance Act) in the governing or legislator body. The proposal is not been included in the 2019-2020 National Reform Programme. A new Health Care and Health Insurance Act is in the Work Programme of the Ministry of Health and is currently being worked on by the services. It is expected to be discussed by the Government of the Republic of Slovenia in mid-2020 (its adoption by the National Assembly is expected in the autumn of 2020). Other measures have been announced but these only address the CSR to a limited extent. The European Commission under the Structural Reform Support Programme helps Slovenia to implement key health sector reforms in the areas of health system governance, hospital financing, quality of care, and long-term care.	

	• and long-term care that ensure quality, accessibility and long-term fiscal sustainability.	**No Progress.** The reform is not included in the 2019-2020 National Reform Programme. The work programme of the Ministry of Health envisages the proposal of the act of long-term care to be submitted for public discussion in January 2020 and adoption potentially still in 2020.	
	• Ensure the long-term sustainability and adequacy of the pension system, including by adjusting the statutory retirement age restricting early retirement and other forms of early exit from the labour market.	**Limited Progress.** The pension reform adopted in November 2019 improves the adequacy of pensions but puts a strain on the sustainability of the pension system in the long term. At the same time, measures taken in 2012 to limit early retirement seem to be having some effect, but the early exit from the labour market remains a challenge.	
	• Increase the employability of low-skilled and older workers by improving labour market relevance of education and training, lifelong learning and activation measures, including through better digital literacy.	**Some Progress.** In 2019, Slovenia adopted amendments to labour market regulation act aimed at faster activation and higher social security of unemployed people. Changes in unemployment benefits will also likely influence unemployment levels of older people (prior to retirement). The authorities also implemented additional labour market measures that provide life-long learning and training measures relevant for labour market needs. There are also soft measures (through competence centres for human resources development; Support to Enterprises for active ageing of Labour Force) to improve employment of older people and long-term unemployed. Finally, ALMPs also appear to better target older people (31% until August 2019) and long-term unemployed (28%), though this still leaves room for improvement. Concerning the aspect of "better digital literacy", Slovenia has made only limited progress: Some projects for digital transformation of economy have been put in place and are at cruising speed through the Strategic Research and Innovation Partnerships. Further, there are several pilot actions in schools for improving digital literacy. However, no changes have been made into school curricula to enhance the teaching of digital skills in schools. Finally, no review or up-date of digital programme in existing curricula has taken place.	

	2. Support the development of equity markets. Improve the business environment by reducing regulatory restrictions and administrative burden. Improve competition, professionalisation and independent oversight in public procurement. Carry out privatisations in line with the existing plans. *Split into Sub-CSRs*	**Some Progress.**	2. Mitigate the social and employment impact of the COVID-19 crisis, including by providing adequate income replacement and social protection, enhancing short-time work schemes and through flexible working arrangements. Ensure that these measures provide adequate protection for non-standard workers.
	• Support the development of equity markets.	**Limited Progress.** Slovenia continued implementing support measures launched earlier on in order to strengthen its equity markets. Major new initiatives were not launched in 2019.	
	• Improve the business environment by reducing regulatory restrictions and administrative burden.	**Some Progress.** Slovenia continued to implement its burden reduction efforts, such as under the Single Document, the SME test and e-government. Slovenia has removed certain restrictions in the access to the professions of lawyer and real estate agent. Nevertheless, the legal professions (lawyers and notaries) remain highly regulated.	
	• Improve competition, professionalisation and independent oversight in public procurement.	**Some Progress.** Slovenia adopted an important reform of the National Reform Commission, thereby strengthening independent oversight in public procurement. Setting up the newly foreseen structures is still to be done. Slovenia also continued implementing its Action Plan to increase professionalisation. Competition benefits from e-procurement as well as from good efforts to facilitate SME participation in tenders, but remains a problem.	
	• Carry out privatisations in line with the existing plans.	**Some Progress.** Another 10% of the shares of NLB, have been sold, and the sale of Abanka has been finalised in 2019, in line with obligations under State aid rules; however, other privatisations have come to a halt.	
	3. Focus investment-related economic policy on research and innovation, low carbon and energy transition, sustainable transport, in particular rail, and environmental infrastructure, taking into account regional disparities. *Split into Sub-CSRs*	**Limited Progress.**	3. Continue to swiftly implement measures to provide liquidity and financing to businesses and households and reduce administrative burden. Front-load mature public investment projects and promote private investment to support the economic recovery. Focus investment on the green

	• Focus investment-related economic policy on research and innovation,	**Some Progress.** Slovenia has not fully implemented its research and innovation strategy, and there is little harmonisation among different policies and strategies.	and digital transition, in particular on clean and efficient production and use of energy, environmental infrastructure, sustainable transport, research and innovation, and the roll-out of the 5G network. Promote digital capacities of businesses, and strengthen digital skills, e-commerce and e-health.
	• low carbon and energy transition,	**Limited Progress.** Climate change adaptation received about €90 million for climate change adaptation from the cohesion policy for 2014-2020. The selection and implementation of projects has improved. However, a comprehensive climate change strategy covering all sectors has not been prepared yet. A more specific regulatory framework for the adaptation to climate change is planned to be provided in the Environmental Protection Law, which is currently being adopted. The use of low carbon energy remains limited and there are lags in the implementation of the programme the fields of transport and power generation.	
	• sustainable transport, in particular rail, and	**Some Progress.** Slovenia published an investment plan for transport to increase the funding of railways and sustainable mobility in the period 2020-2025. It also adopted an 'Action plan for alternative fuels in transport' setting specific objectives and measures for uptake of alternative fuels in transport.	
	• environmental infrastructure, taking into account regional disparities.	**Limited Progress.** Slovenia accelerated the implementation of the EU co-financed wastewater projects but investment gap still prevails in this sector. In addition, the integration of environmental aspects, particularly, nature considerations, into planning and implementing infrastructure projects, is challenging. To tackle the challenges in the water sector, the Government proposed an amendment of the national water legislation in December 2019.	

SK	<u>2019 CSRs</u> SGP: CSR 1 MIP: -	<u>Assessment of implementation of 2019 CSRs</u> February 2020	<u>2020 CSRs</u> SGP: CSR 1 MIP: -
	1. Achieve the medium-term budgetary objective in 2020. Safeguard the long-term sustainability of public finances, notably that of the healthcare and pension systems. *Split into Sub-CSRs*	**Limited Progress** (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact).	1. Take all necessary measures, in line with the general escape clause of the Stability and Growth Pact, to effectively address the COVID-19 pandemic, sustain the economy and support the ensuing recovery. When economic conditions allow, pursue fiscal policies aimed at achieving prudent medium-term fiscal positions and ensuring debt sustainability, while enhancing investment. Strengthen the resilience of the health system in the areas of health workforce, critical medical products and infrastructure. Improve primary care provision and coordination between types of care.
	• Achieve the medium-term budgetary objective in 2020.	The compliance assessment with the Stability and Growth Pact will be included in Spring when final data for 2019 will be available.	
	• Safeguard the long-term sustainability of public finances, notably that of the healthcare and pension systems.	**<u>Limited Progress.</u>** Regarding healthcare: In 2019, the Ministry of Finance carried out a third healthcare spending review. The implementation of measures identified in previous spending reviews has improved the efficiency of the public health insurance system. However, the expenditure of university hospitals has also increased mainly due to the automatic rise in the wage bill. The introduction of a performance budgeting system, which should improve allocation efficiency, is in preparation. The cabinet approved strategic documents focused on follow-up health care and on modernising the hospital network. Nevertheless, this reform was not adopted by the Parliament at the end of 2019. A system of DRG- based payments is being implemented. While these measures are crucial, it is expected that the savings they can bring about are quickly absorbed by the system which is, amongst others factors, facing increased demand and running sizable arrears. Regarding pensions: The 2019 legislation removed the automatic adjustment of the statutory retirement age to life expectancy and caps the retirement age at 64, while also granting women the possibility to retire half a year earlier for each child raised, up to a maximum of three children. As a consequence, the statutory retirement age will continue to increase, albeit at a slower pace, until about	

		2030 when it will reach 64 and will stabilise then. Official estimates of the impact of the reform are not available yet. Furthermore, in October 2019, the National Council set the minimum pension at 33% of the average wage of 2 years ago for those having paid into the system for at least 30 years, abolishing the previous link to the subsistence minimum. This change, while positive for pension adequacy, was adopted in Parliament without expert discussion. Incentives to contribute to the pension system more than the mandatory minimum are weakened. These reforms increase risks to long-term fiscal sustainability. Preliminary Commission/Ageing Working Group estimates point to an expenditure increase of 5.2 pps of GDP over the long-term (from 8.6% in 2016 to 13.8% in 2070, instead of 9.8% in 2070 in the 2018 Ageing Report). Counterbalancing measures have not been put forward. The reforms capping retirement age are likely to put pressure on the at- risk-of-poverty-or-social-exclusion rate for elderly, in 2016 with 12.3% still among the lowest in the EU, as well as on the aggregate replacement ratio in 2016 with 62% still above EU average. The change in the minimum pension's formula may also further undermine long-term fiscal sustainability.	
	2. Improve the quality and inclusiveness of education at all levels and foster skills. Enhance access to affordable and quality childcare and long-term care. Promote integration of disadvantaged groups, in particular Roma. *Split into Sub-CSRs*	**Limited Progress.**	2. Provide adequate income replacement, and ensure access to social protection and essential services for all. Strengthen digital skills. Ensure equal access to quality education.
	• Improve the quality and inclusiveness of education at all levels and foster skills.	**Limited Progress.** Progress in improving access to qualitatively high and inclusive education, in particular for Roma children, remains limited. The compulsory preschool entry age as of 5 will be introduced as of 2021, however, the high quality, accessibility and inclusiveness of early childhood education will need to be ensured to bring the necessary results, in particular for children from marginalised Roma communities. Despite the recent pay in-	

		creases, teachers' salaries remain low and the teaching profession faces shortages as its attractiveness remains limited. The new legislation and national projects aimed at improving the quality of teaching will need to be efficiently implemented and monitored. The new Accreditation Agency, and new legislation in higher education provide a good basis for further more substantial reform measures in this field.	
	• Enhance access to affordable and quality childcare and long-term care.	**Limited Progress.** Childcare facilities have continued to be developed, including through support from the ERDF, but there were no new systemic measures addressing lack of childcare, in particular in the most affected localities (Bratislava, Košice). The development of long-term care services is hindered by the lack of strategic mapping and planning at the government level. The recent amendment of the law on Social Services introducing an e-tracking tool for social services (to be launched in 2021) could support the mapping of the needs.	
	• Promote integration of disadvantaged groups, in particular Roma.	**Limited Progress.** Limited progress has been made in promoting the integration of disadvantaged groups. There have been several ongoing projects aiming at integration of Roma, with an increasing uptake of activities in the last year. Nevertheless, these activities are still deployed on more of an ad- hoc local basis, rather than through strong systemic action covering the challenge from the country perspective.	
	3. Focus investment-related economic policy on healthcare, research and innovation, transport, notably on its sustainability, digital infrastructure, energy efficiency, competitiveness of small and medium-sized enterprises, and social housing, taking into account regional disparities. Increase the use of quality-related and lifecycle cost criteria in public procurement operations. *Split into Sub-CSRs*	**Limited Progress.**	3. Effectively implement measures to ensure liquidity for small and medium-sized enterprises and self-employed. Close digital infrastructure gaps. Frontload mature public investment projects and promote private investment to foster the economic recovery. Focus investment on the green and digital transition, in particular on clean and efficient production and use of energy and resources, sustainable public transport, and waste management.
	• Focus investment-related economic policy on healthcare,	**Limited Progress.** In the area of 'hard' infrastructure (e.g. hospitals), a key precondition for effectively stepping up public investment in health care	

		is the establishment of a medium-to-long-term investment strategy. A large part of such strategy has been developed by the Slovak health authorities as part of their reform proposal for a functional and geographic reconfiguration of the national hospital network, which set out a more concentrated network of 46 hospitals distributed optimally across the country. However, the adoption of this reform has stalled in December 2019. Since a significant increase in investment in public health care infrastructure is contingent on the adoption of this reform, the preconditions for the implementation of this recommendation have practically not materialised yet. Another missing enabler for effectively stepping up public investment in health care infrastructure has been the issue of hospital debt. In a context where care facilities are responsible for their own capital investment, the stock of debt of public hospitals has kept increasing despite several bailout rounds from the general government budget. As a result, EU funds have remained the main driver of 'hard' infrastructure investment in the Slovak health care sector for both inpatient and outpatient care facilities. Investment in 'soft' infrastructure (i.e. human capital) has seen comparatively greater progress over the past year. In light of recent projections foreseeing significant shortages of health personnel in 2030, the government has stepped up efforts to increase the supply of health professionals in the future and improve their retention within the public health care system. As per investment in public health operations, the implementation of the national cancer plan developed in 2018 has started. The first measures introduced in 2019 included a pilot project for colorectal cancer screening and the definition of quality standards of mammography centres. Investment in general health promotion and disease prevention remains relatively low, as indicated by the below-EU average share of health spending on preventative care. Bearing in mind that this specific recommendation	

		presupposes a multi-annual time horizon for its implementation, year-on-year progress is assessed as 'limited' overall, following the 5-point assessment scale defined by the Social Protection Committee.	
	• research and innovation,	**Limited Progress.** The amounts eligible for the R&D tax deduction were raised by authorities. However, the dependence on EU funds and failure to achieve spending targets set in the operational programme hamper R&D investment.	
	• transport, notably on its sustainability,	**Limited Progress.** In March 2019, an action plan promoting e-mobility was adopted, including measures such as accelerated depreciation rates of electric vehicles and of charging stations. Green European Vehicles license plates and schemes to promote accessible charging stations and the purchase of electric vehicles are also being implemented. Yet, take-up remains limited thus far.	
	• digital infrastructure,	**Limited Progress.** The government and telecom operators aim to bring fast internet to all Slovak cities. The government formally agreed with the operators to cover the white spots with broadband, and announced that this plan is on track. 5G auctions are delayed.	
	• energy efficiency,	**Some Progress.** Investments in renovating multi-family apartment buildings are producing good results, Slovakia being on track on reaching its ambitious national goals for 2020. However, renovation of public buildings and single-family dwellings seem to lag behind. Additional measures are also needed in other areas of energy efficiency (e.g. improving energy efficiency of productive SMEs). In these areas, available funding instruments seem very low compared to available financial assets (of e.g. insurance companies or pension funds).	
	• competitiveness of small and medium-sized enterprises,	**Limited Progress.** Despite the approval of three packages of measures to simplify the business environment, Slovakia is losing ground in international rankings of competitiveness. Support to entrepreneurship is below EU average. High regulatory burden, frequent legislative changes and poor implementation of adopted measures all contribute to	

		hampering competitiveness. Recently, the government approved a draft Action Plan of the Economic Policy Strategy by 2030 consisting of 31 measures to improve the business environment.	
	• and social housing, taking into account regional disparities.	**Limited Progress.** Measures on supporting social housing through social entrepreneurship are being prepared under the OP Human Resources. It remains to be seen whether and how will these materialise.	
	• Increase the use of quality-related and lifecycle cost criteria in public procurement operations.	**Some Progress.** The interest of contracting authorities for increasing the use of quality criteria and life-cycle costing is rising. The Public Procurement Office and Central Coordination Authority make lots of efforts in providing methodology and training. Results will show at a later stage, as learning and implementation take time.	
	4. Continue to improve the effectiveness of the justice system, focussing on strengthening its independence, including on judicial appointments. Increase efforts to detect and prosecute corruption, in particular in large-scale corruption cases. *Split into Sub-CSRs*	**Some Progress.**	4. Ensure effective supervision and enforcement of the anti-money laundering framework. Ensure a favourable business environment and quality public services through enhanced coordination and policy-making. Address the integrity concerns in the justice system.
	• Continue to improve the effectiveness of the justice system, focussing on strengthening its independence, including on judicial appointments.	**Some Progress.** Slovakia has made some progress in improving the effectiveness of the justice system, in particular as regards the quality and efficiency. As regards strengthening the independence, including judicial appointments, as a positive development, the SK president on 10 October 2019 appointed the missing six judges to the SK Constitutional Court, successfully bringing to a positive end an impasse that had existed since February 2019. The SK Constitutional Court is now composed of 13 judges as foreseen by the SK Constitution and finally full operational again. However, longstanding concerns over the overall integrity of Slovakia's judicial system continued to mount in the second half of 2019 due to increasing evidence over close links of white-collar criminals with the political level and individual judges and prosecutors, including a former General Prosecutor. The low perception of judi-	

		cial independence thus continues to be most serious challenge for Slovakia remains in the bottom of EU Member States.	
	• Increase efforts to detect and prosecute corruption, in particular in large-scale corruption cases.	**Limited Progress.** The recent criminal statistics show fluctuation but no explicit improvement. There are reportedly improved efforts to sanction legal persons (6 cases in 2019).	

FI	**2019 CSRs** **SGP: CSR 1** **MIP: -**	**Assessment of implementation of 2019 CSRs** **February 2020**	**2020 CSRs** **SGP: CSR 1** **MIP: -**
	1. Ensure that the nominal growth rate of net primary government expenditure does not exceed 1.9% in 2020, corresponding to an annual structural adjustment of 0.5% of GDP. Improve the cost-effectiveness of and equal access to social and healthcare services. *Split into Sub-CSRs*	**No overall assessment of CSR 1.**	1. Take all necessary measures, in line with the general escape clause of the Stability and Growth Pact, to effectively address the COVID-19 pandemic, sustain the economy and support the ensuing recovery. When economic conditions allow, pursue fiscal policies aimed at achieving prudent medium-term fiscal positions and ensuring debt sustainability, while enhancing investment. Address shortages of health workers to strengthen the resilience of the health system and improve access to social and health services..
	• Ensure that the nominal growth rate of net primary government expenditure does not exceed 1.9% in 2020, corresponding to an annual structural adjustment of 0.5% of GDP.		
	• Improve the cost-effectiveness of and equal access to social and healthcare services.	**Limited Progress** has been achieved on improving cost-effectiveness of and equal access to social and healthcare services. The government plans to continue with the healthcare reform initiated by the previous government. The reform still aims at addressing the fragmentation of the system and the related financial challenges faced by small, remote municipalities. The considered centralisation of service provision to county level is likely to lead to increases in efficiency. Accessibility would be promoted through a strengthening of the primary care system. The government plans to adopt the reform by the end of its term.	
	2. Improve incentives to work and enhance skills and enhance active inclusion, notably through well-integrated services for the unemployed and the inactive. *Split into Sub-CSRs*	**Some Progress.**	2. Strengthen measures to support employment and bolster active labour market policies
	• Improve incentives to work	**Limited Progress** has been made on reducing inactivity and unemployment traps. The social security reform is a long-term process aiming at simplifying the benefit system. The reform could be a major component in helping the government attain its objective of a 75% employment rate for people	

		aged 15-64 by making work pay more in all circumstances. Moreover, it should improve the coordination of different benefits. The government plans to implement the reform gradually, over the course of two government terms. The groundwork started during Sipilä's government term. In 2019, Finland deployed a real-time income register that could reduce the bureaucratic traps. This register has the potential to speed up handling times of benefits, thus increasing the 'certainty of income' level, whenever part-time or short-term work is taken up. Moreover, it could open up possibilities for a more effective combination of work-income and benefits in the future. The government has set up seven ministerial working groups with tripartite subgroups to prepare labour market reforms to explore ways to increase employment.	
	• and enhance skills	**Some Progress** has been achieved on skills. The government programme recognises inequality, exclusion and differences in learning outcomes as the most serious threats in education. The budget has been increased to address these challenges. The recent VET reform pushes for more responsiveness to the labour market needs and is in its final stages of implementation. Participation in adult education is concentrated on the highly educated, high-skilled, and high-earning employees. The government is launching a 'continuous learning' reform to address skills shortages of adult workers. Notwithstanding, labour shortages, especially of high-skilled workers, are reported to be the most important obstacle to investment and risk becoming a drag on growth. There is a concern about the lack of sufficient funds to implement recent educational reforms in early childhood education, as well as in compulsory and tertiary education.	
	• and enhance active inclusion, notably through well-integrated services for the unemployed and the inactive.	**Some Progress** has been achieved on active inclusion. The announced 'work ability' reform is expected to result in better coordinated benefits, more personalised, more integrated services. The same results are also expected from trials carried	

		out in municipalities to improve integration of employment services, education and training services, and social and health services in order to support employability of jobseekers who have weak labour market status (those receiving labour market support, i.e. basic unemployment benefit, young people under 30 years old, and immigrants). The assumption is that more locally provided services would be more efficient. The Parliament will decide on the law in February-March 2020, and the trials are expected to follow in April-May. The government has earmarked €36 million for implementing the 'work ability' programme. This programme aims to increase the inclusion of people with partial work abilities in the labour market. Employment services, and social and health services will be strengthened. Some 20 work ability coordinators will be hired in the employment offices. As a part of the work ability programme, public procurement will be used to hire those people in the weakest position in the labour market.	
	3. Focus investment-related economic policy on research and innovation, taking into account regional disparities, focus investment-related economic policy on low carbon and energy transition, taking into account regional disparities, and focus investment-related economic policy on sustainable transport, taking into account regional disparities. *Split into Sub-CSRs*	**Limited Progress.**	3. Take measures to provide liquidity to the real economy, in particular to small and medium-sized enterprises. Front-load mature public investment projects and promote private investment to foster the economic recovery. Focus investment on the green and digital transition, in particular on clean and efficient production and use of energy, sustainable and efficient infrastructure as well as research and innovation.
	• Focus investment-related economic policy on research and innovation, taking into account regional disparities,	**Limited Progress** has been made on public research and innovation investment. The amount of public money for research and development support is expected to increase, but remain broadly stable as a proportion of GDP. A roadmap will be drawn up to raise overall R&D investment to 4% of GDP and to make Finland the best place in the world for innovation and experiment.	
	• focus investment-related economic policy on low carbon and energy transition, taking into account regional disparities,	**Limited Progress** has been made on investment in low carbon and energy transition. The government's objective is to make Finland carbon neutral	

		by 2035 and the world's first fossil-free social society. This will require a comprehensive agenda of policies and measures. The government has announced an overhaul of energy taxation by the 2020 budget, notably with a pledge to phase out fossil fuel subsidies on oil, coal and, possibly, peat.	
	• and focus investment-related economic policy on sustainable transport, taking into account regional disparities.	**Limited Progress** has been achieved on investment in sustainable transport. Sustainable infrastructure investment is being planned, notably to increase labour mobility. Three high-speed railroad lines are being considered to improve labour mobility, but economic studies have not been carried out yet by independent analysts. A new national transport system will be developed in 2020-2021 under the lead of a parliamentary steering group.	
	4. Strengthen the monitoring of household debt and establish the credit registry system. *Split into Sub-CSRs*	**Some Progress.**	4. Ensure effective supervision and enforcement of the anti-money laundering framework.
	• Strengthen the monitoring of household debt	**Some Progress** has been made on monitoring the household debt. In October 2019, the Ministry of Finance proposed to limit to 60% the loan to value ratio (selling price ratio) applicable to housing companies. In parallel, a debt-to-income ratio cap will be applied to households when their loan requests exceed a certain threshold. The Ministry of Finance is drafting further macro-prudential measures. The legislation on consumer credit has been tightened. An interest cap at 20% entered into force in September 2019.	
	• and establish the credit registry system.	**Limited Progress** has been made on the setting up a credit registry system. The work on the credit registry is still being planned. The government has recently decided that the credit registry is to be managed by a public entity. The official working group is expected to be established in early 2020. The necessary legislative work on data protection is expected to start in January 2020, while work on the registry itself might incur delays. Nevertheless, the authorities are committed to having the necessary legislation in place by 2023.	

SE	**2019 CSRs** **SGP: -** **MIP: CSR 1**	**Assessment of implementation of 2019 CSRs** **February 2020**	**2020 CSRs** **SGP: CSR 1** **MIP: -**
	1. Address risks related to high household debt by gradually reducing the tax deductibility of mortgage interest payments or increasing recurrent property taxes. Stimulate investment in residential construction where shortages are most pressing, in particular by removing structural obstacles to construction. Improve the efficiency of the housing market, including by introducing more flexibility in rental prices and revising the design of the capital gains tax. *Split into Sub-CSRs*	**Limited Progress.**	1. Take all necessary measures, in line with the general escape clause of the Stability and Growth Pact, to effectively address the COVID-19 pandemic, sustain the economy and support the ensuing recovery. When economic conditions allow, pursue fiscal policies aimed at achieving prudent medium-term fiscal positions and ensuring debt sustainability, while enhancing investment. Ensure the resilience of the health system, including through adequate supplies of critical medical products, infrastructure and workforce.
	• Address risks related to high household debt by gradually reducing the tax deductibility of mortgage interest payments or increasing recurrent property taxes.	**No Progress.** No measures have been announced to reduce the tax deductibility of mortgage interest payment or to increase recurrent property taxes.	
	• Stimulate investment in residential construction where shortages are most pressing, in particular by removing structural obstacles to construction.	**Limited Progress.** Sweden has integrated its policy ambitions for the housing market into the January agreement of early 2019. This includes a subsidy for the construction of new rental housing.	
	• Improve the efficiency of the housing market, including by introducing more flexibility in rental prices and revising the design of the capital gains tax.	**No Progress.** The government marginally changed the capital gains tax - a deferral of the capital gains tax liability on housing transactions remains possible when changing houses, while the maximum deferrable amount increased to SEK 3 million. However, this is de facto a tightening since the cap had been temporarily removed previously. There has been no change in the setting of rents.	
	2. Focus investment related economic policy on education and skills, maintaining investment in sustainable transport to upgrade the different transport modes, in particular railways, and research and innovation, taking into account regional disparities. *Split into Sub-CSRs*	**Some Progress.**	2. Foster innovation and support education and skills development. Front-load mature public investment projects and promote private investment to foster the economic recovery. Focus investment on the green and digital transition, in particular on clean and efficient production and use of energy, high-tech and innovative sectors, 5G networks and sustainable transport.
	• Focus investment related economic policy on education and skills,	**Some Progress.** While some measures have been taken, for example in the 2020 Budget Bill, there is a	

		continued need for investments in education and skills.	
	• maintaining investment in sustainable transport to upgrade the different transport modes, in particular railways,	**Substantial Progress.** The implementation of the national plan for infrastructure 2018-2029 adopted in June 2018 is underway according to plan confirmed by the 73-point program presented by the government and its two supporting parties which include measures to support transport infrastructure.	
	• and research and innovation, taking into account regional disparities.	**Some Progress.** Sweden continues to invest considerable resources in R&D and continues to be one of the most innovative economies in the EU. With 3.31% of GDP allocated to R&D (2018), Sweden remains the country with the highest R&D spending in the EU. However, there is a slight decrease in R&D Intensity (GERD as % of GDP) from 3.37 (2017) to 3.31 (2018), mainly due to a reduction in the business enterprise expenditure on R&D (BERD) as % of GDP from 2.4 (2017) to 2.35 (2018).	
	3. Ensure effective supervision and the enforcement of the anti-money laundering framework.	**Some Progress.** Sweden has made substantial progress in terms of new legislative measures that will form the basis for a strengthened anti-money laundering framework. It has achieved some progress through the creation of a special body to promote collaboration between different competent authorities. Sweden has made some progress to ensure more effective supervision and enforcement by allocating additional human resources to both the Financial Supervisory Authority, which will enable the authority to develop a new risk classification tool, and the Financial intelligence Unit, which will allow it to process information more effectively. Sweden also made some progress in relation to reviews of major Swedish banks' governance and control of anti-money laundering measures in Baltic subsidiaries and initiated two new investigations at the end of 2019. However, there is limited progress in other areas, notably the FSA's staffing dedicated to supervision remains low compared to the size of the Swedish financial sector and the FIU still needs to make better	3. Improve the effectiveness of anti-money laundering supervision and effectively enforce the anti-money laundering framework.

		use of the system for requests and exchange of information between EU FIUs (FIU.net) and strengthen its analytical capacity.	

Assessment criteria used by the Commission in its 2018 and 2019 assessments of progress in addressing current Country-Specific Recommendations' (CSRs)

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

- no legal, administrative, or budgetary measures have been announced in the national reform programme, in any other official communication to the national Parliament/relevant parliamentary committees or the European Commission, publicly (e.g. in a press statement or on the government's website);
- no non-legislative acts have been presented by the governing or legislative body;
- the Member State has taken initial steps in addressing the CSR, such as commissioning a study or setting up a study group to analyse possible measures to be taken (unless the CSR explicitly asks for orientations or exploratory actions). However, it has not proposed any clearly-specified measure(s) to address the CSR.

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

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

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

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

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

(5) **Full implementation:** The Member State has implemented all measures needed to address the CSR appropriately

This study presents the 2019 and 2020 Country-Specific Recommendations as adopted by the Council and their implementation based on the assessment by the European Commission in its Country Reports of 26 February 2020. This study was provided by the Economic Governance Support Unit (EGOV).

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