EUROPEAN PARLIAMENT

IPOL | DIRECTORATE-GENERAL FOR INTERNAL POLICIES
EGOV | ECONOMIC GOVERNANCE SUPPORT UNIT

STUDY

Country Specific Recommendations (CSRs) for 2013 and 2014 for the Euro Area Member States

A comparison and an overview of implementation

The table in the ANNEX presents:

- The **Country Specific Recommendations for 2013** generally endorsed by the European Council on 27/28 June 2013 and adopted by the Council on 9 July 2013.
- **The assessment of the implementation of 2013 CSRs** based on the **Commission Staff Working Papers** as published on 2 June 2014.
- The **Country Specific Recommendations for 2014** generally endorsed by the European Council on 26/27 June 2014 and adopted by the Council on 8 July 2014.
- **The assessment of the implementation of 2014 CSRs** based on the **Commission Staff Working Papers** as published on 27 February 2015.

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

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

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

► The CSRs for 2014 have been re-arranged in the annexed table, where relevant, to allow an easier comparison with the 2013 CSRs.
► The "colour code" used in the annexed table is based on the broad categories used in the COM Staff Working Papers for assessing the implementation of CSRs: **"red"** = "no progress" or "limited progress", **"yellow"** = "some progress", **"green"** = "substantial progress" or "full progress".

Click to scroll-down: BE, DE, EE, IE, EL, ES, FR, IT, CY, LV, LT, LU, MT, NL, AT, PT, SI, SK, FI, Euro Area

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BE	Country Specific Recommendations 2013 **SGP-CSR 1 and MIP-CSR 1, 2, 3, 4, 5**	Assessment of implementation of CSR 2013 **(based on COM staff documents)**	Country Specific Recommendations 2014 **SGP-CSR 1 and MIP-CSR 2, 4, 5**	Assessment of implementation of CSR 2014 **(based on COM staff documents)**
	1. Adopt additional measures to achieve the structural adjustment effort specified in the Council Decision to give notice to correct the **excessive deficit by 2013** and to enhance the sustainability and credibility of the consolidation. A durable correction of the fiscal imbalances requires the credible implementation of ambitious structural reforms which would increase the adjustment capacity and boost potential growth. After the correction of the excessive deficit, pursue the structural adjustment at an appropriate pace so as to **reach the medium-term objective by 2016** and ensure that the high debt ratio is put on a firm downward path. To this end, present growth-friendly structural measures for 2014 by 15 October 2013 which ensure a sustainable correction of the excessive deficit and sufficient progress towards its medium-term objective. Ensure that the adjustment path is balanced over time or even front-loaded. **Adopt explicit coordination arrangements to ensure that budgetary targets are binding at federal level and sub-federal levels** within a medium-term planning perspective including	**Some Progress:** **Substantial progress** in reducing the deficit. The 2013 headline deficit came out at 2.6% of GDP, below the target of 2.7% of GDP set by the Council in June 2013. In 2014 and 2015, the deficit is projected to remain below the 3% of GDP deficit threshold. **Limited progress** in making progress towards the medium-term objective. The 2014 budget contains consolidation measures of a structural nature, ensuring the sustainable correction of the excessive deficit. However, the Commission's spring forecast shows no further structural improvement in 2014 and, under the usual no-policy-change assumption, a structural deterioration in 2015. This puts the achievement of the targets at risk and could lead to a significant deviation from the adjustment towards the MTO over 2014-2015. **Substantial progress** in improving the fiscal framework. The on-going sixth state reform provides for a contribution by regions and communities to the fiscal consolidation effort and to the cost of population ageing. The Fiscal Compact, part of the Treaty on Stability, Coordination and Governance, has been	**1.** Following the correction of the excessive deficit, reinforce the budgetary measures for 2014 in the light of the emerging gap of 0,5 % of GDP based on the Commission services 2014 spring forecast, **pointing to a risk of significant deviation relative to the preventive arm of the Stability and Growth Pact** requirements. In 2015, significantly strengthen the budgetary strategy to ensure the required adjustment of 0,6 % of GDP towards the medium-term objective, which would also ensure compliance with the debt rule. Thereafter, until the medium-term objective is achieved, pursue the planned annual structural adjustment **towards the medium-term objective**, in line with the requirement of an annual structural adjustment of at least 0,5 % of GDP, and more in good economic conditions or if needed to ensure that the debt rule is met in order to put the high general government debt ratio on a sustained downward path. Ensure a balanced contribution by **all levels of government** to the fulfilment of fiscal rules including the structural budget balance rule, through a binding instrument with an explicit breakdown of targets within a	**Limited Progress** (this overall assessment of CSR1 excludes an assessment of compliance with the Stability and Growth Pact): Belgium has made **limited progress** to ensure a balanced contribution by all levels of government to the fulfilment of fiscal rules: A Cooperation Agreement concluded between the federal government and regional/community governments on 13 December 2013 introduces a structural budget balance rule for general government and formalises fiscal policy coordination among different layers of government. It has not been put into practice so far. The new governments in place at federal, community and regional level have all set their own fiscal trajectory for 2015 and beyond without formal coordination to date.

	through the prompt adoption of a rule on the general government budget balance/surplus that complies with the requirements of the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union and to increase the transparency of burden sharing and accountability across government layers.	implemented through a Cooperation Agreement concluded between the federal government and regional/community governments on 13.12.2013, which introduces a structural budget balance rule for general government and formalises fiscal policy coordination among different layers of government.	medium-term planning perspective.	
	2. Step up efforts to close **the gap between the effective and statutory retirement age**, including by pursuing the on-going reforms to reduce the early-exit possibilities. Underpin reforms of the old-age social security systems with employment-support measures and **labour-market reforms conducive to active ageing**. Increase the effective retirement age by aligning retirement age or pension benefits to changes in life expectancy. Continue to improve the cost-efficiency of public spending on long term institutional care.	**Some Progress:** **Some progress** in reducing early-exit possibilities. The on-going old-age social security reform started by the end of 2011. Additional measures conducive to active ageing were taken to underpin the reforms of the old-age social security system, notably to align the pension bonus with the new early retirement age, to ensure fair treatment of mixed careers and to strengthen the reactivation incentives of the survivor's pension. Also, the rules on earnings after retirement have been relaxed, rewarding people who continue working past the age of early retirement or stay in or re-enter the labour market after reaching the legal retirement age. In tandem, dismissals through the pre-retirement scheme have been made more expensive and companies have been asked to implement 'active ageing' plans. **No progress** in aligning retirement age or pension benefits to changes in life expectancy. An expert group has been set	**3.** Contain future public expenditure growth relating to ageing, in particular from pensions and long-term care, by stepping up efforts to reduce the **gap between the effective and statutory retirement age**, bringing forward the reduction of early-exit possibilities, promoting active ageing, aligning the retirement age to changes in life expectancy, and improving the cost-effectiveness of public spending on **long-term care.**	**Substantial Progress:** **Substantial progress** towards reducing the gap between effective and statutory retirement age: Minimum age and career length requirements for early exit through the elderly unemployment benefit system ('unemployment benefits with company top-ups') are tightened progressively with the minimum age increased to 62y since Jan-2015. Transitional rules and exceptions apply for arduous professions, long careers and collective dismissals. Labour market availability and job search requirements have been extended to all unemployed below the pensionable age (previously 60y) with the exception of unemployed aged 60 at the end of 2014. Further increases announced in the minimum age and minimum career length for early retirement after 2016

		up but has not yet delivered its reform proposals. **No progress** in cost-effectiveness of long-term institutional care. The sixth state reform transfers a number of responsibilities for long-term care (and for healthcare) to community level, hence somewhat alleviating the ageing burden borne by the federal government. Whether the devolution of responsibilities will lead to increased cost-effectiveness depends on political choices that have yet to be made and implemented.		(from 62y to 63y and from 40 to 42career years between 2016 and 2019). Gradual reform of the civil servant pension scheme planned for 2016, altering the accrual rules so as to extend the average working career. **Limited progress** to promote active ageing. The pension bonus for those working beyond the age of 62 has been abolished, reducing the financial incentive to extend the working career. The time credit system, enabling workers to take a career break while receiving an allowance, has been reformed. While the system of 'unmotivated breaks' has been abolished, the possibility to take up 'motivated time credit' has been extended from 36 to 48 months for childcare, palliative care or to assist a seriously ill member of the household. Access to 'end-of-career' time credit for elderly workers with a career of at least 25 years, will be granted from 60 years of age. Access at the age of 55 remains possible for arduous professions, night work, the construction sector and (anticipatory) collective dismissals.

				FL: employment incentive for elderly workers has been refocused on the age group above 55: subsidy no longer applies to workers between 50 and 55 who have been unemployed less than a year. **<u>Some progress</u>** to align the retirement age with changes in life expectancy: Increase announced in statutory retirement age, to 66 in 2025 and 67 in 2030. Planned reform would introduce a credit-based pension system allowing for automatic adjustment mechanisms in response to demographic and/or economic developments.
	3. To restore competitiveness, pursue the on-going efforts to reform **the wage setting system, including wage indexation**; in particular, by taking structural measures, in consultation with the social partners and in accordance with national practice, to ensure that wage setting is responsive to productivity developments, reflects subregional and local differences in productivity and labour market conditions, and provides automatic corrections when wage evolution undermines cost-competitiveness.	**Limited Progress:** **<u>Some progress</u>** in restoring competitiveness*:* Several measures to curb rising wage costs have been enacted and past drivers of high price pressures have been addressed by competition-reinforcing measures in several key markets. A second set of revisions of the health index calculation formula came into force as of 1.1. 2014, with the aim of better reflecting consumption patterns and the method of determining prices of several commodities and services has been revised. These various revisions are expected to increase downward pressure	**5.** Restore competitiveness by continuing the reform of the **wage-setting system, including wage indexation**, in consultation with the social partners and in accordance with national practice, to ensure that wage evolutions reflect productivity developments at sectorial and/or company levels as well as economic circumstances and to provide for effective automatic corrections when needed; by strengthening competition in the retail sectors, removing excessive restrictions in services, including professional services and addressing the risk of further	**Some Progress:** **<u>Some progress</u>** in reforming the wage-setting system: Temporary suspension of all wage indexation agreements until inflation has eroded real wages by 2%. Planned reform of the Law of 1996 announced to operationalize the national 'wage norm' to close by 2019 the wage gap vis-à-vis neighbouring countries that have built up since 1996. The wage norm will be set taking into account actual relative

		on measured inflation, thereby contributing to wage moderation. **<u>No progress</u>** on reforming the wage setting system, linking it to productivity developments, better reflecting local differences in productivity and labour market conditions. **<u>No progress</u>** on introducing automatic corrections. According to the government declaration to parliament, the reform of the 1996 law on competitiveness would introduce a new, more stringent method of determining the wage norm by reducing the risk of overestimating wage developments in neighbouring countries, by reinforcing the discretionary authority of the government to intervene in the wage setting process and by reinforcing the mechanism for ex post corrections. However, this reform has stalled and will most likely not be enacted during the current legislature.	increases of energy distribution costs; by promoting innovation through streamlined incentive schemes and reduced administrative barriers; and by pursuing coordinated education and training policies addressing the pervasive skills mismatches and regional disparities in early school leaving.	wage developments over the past two years. It will be enshrined in a generally binding collective agreement or Royal Decree, and sanctions for exceeding it will be made more automatic. Wage cost reductions already planned have been maintained, though with altered timing: two rounds scheduled for 2015 and 2017 have been combined in 2016; the third round remains planned for 2019. Limited progress towards strengthening competition in the service sector and addressing the problem of distribution costs: Retail: new draft laws for the regions have been presented (WA/FL) or adopted (BXL), but the measures proposed are insufficient to guarantee that conditions for retailers will be simplified and eased in practice. Professional services: changes have been introduced for land surveyors (legal person), patent agent (group representation) and accountants (protected title also for employees). However, these changes have little impact on the restrictions applicable to professional services. In addition, other restrictions (shareholding requirements) were introduced at the same time. Distribution costs: regional regulators adopted tariff methodologies for the

				period 2015-16. For FL, the new methodology does not solve the issue of the accumulated past costs of the green certificates from 2008-14 when tariffs were frozen. However, it does prevent a rapid build-up of new losses. **<u>Some progress</u>** in promoting innovation through streamlined incentive schemes and lower administrative barriers: Federal: planned assessment of the need to increase the wage tax exemption for researchers. FL: streamline innovation support and increase effectiveness through merger by early 2016 of the Flemish Agency for Entrepreneurship and the Agency for Innovation by Science and Technology and the integration of the Hercules Foundation (for investment in research infrastructure) within the more encompassing Fund for Scientific Research. WA: Concentration of Marshall Plan on measures with the highest value added, maximising the commercial benefits of research, job creation and export opportunities. **<u>Some progress</u>** towards addressing skills mismatches and early school leaving:

				Allowance for young unemployed below 21 will become conditional on obtaining a high-school or equivalent alternate learning degree. French community: entry into force (Sep-2014) of (1) decrees to prevent early school leaving and improve the coordination of education and youth policies; (2) a reform of lower secondary education encompassing action plans at school and possibly at pupil level to tackle low achievement and support pupils with difficulties. WA: government agreement envisages conclusion of a 'Pact for employment and training' with the social partners. Entry into force planned for: Jan-2016. FL: rollout and update of 2013 'Action plan against early school leaving', combining preventive, interventionist and compensation measures. School-level data on ESL to be made available and use of flexible learning pathways in secondary education to be actively promoted. Qualifying vocational education trajectories are to be further developed through cooperation programmes between the regional PES, the regional agency for entrepreneurial training and specific industry sectors and companies. FL: Additional measures announced

				to fight early school leaving and skills mismatches: (1) strengthening of work-based learning and its integration into all relevant branches of study, (2) continued actions on STEM, (3) promotion of entrepreneurship and (4) introduction of a new 'dual' system of learning and working. FL: Youth Guarantee Implementation Plan will be updated to better integrate education and employment measures. BXL: Plans to strengthen partnerships between PES and education/training providers and actors in the framework of the regional 'Alliance for jobs and training'.
	4. Present concrete and time-specific structural measures to **improve competition** in the services sector, by removing barriers in retail and excessive restrictions in professional services and improve the provision of mobile broadband. Continue to improve the functioning of the energy sector by reducing distribution costs and monitoring retail prices, strengthen the independence of the regulators in the energy, telecoms and the transport sectors (railway, airport). Remove remaining regulatory barriers in the postal sector.	**Limited Progress:** **Limited progress** in removing barriers in the retail sector. Belgium has made limited progress on retail establishment. The transfer of relevant competences to the regions that will occur in July 2014 provides the opportunity for a reform of the current rules but no concrete measures have been taken so far. The effectiveness of the new rules in simplifying retail establishment remains to be seen. **No progress** on removing excessive restrictions in professional services.		

		Some professions still face obstacles when entering the market and offering additional services in the sector as a whole. **<u>Substantial progress</u>** in improving the conditions for the provision of mobile broadband. The frequency spectrum in the 800 MHz band has been finally awarded for the provision of mobile broadband services and EMF issues are being resolved in the Brussels Region. **<u>Some progress</u>** on improving the functioning of the energy sector. Wholesale gas and electricity markets are well integrated with neighbouring countries. Retail markets have become more dynamic; information campaigns have made consumers more price-conscious. Electricity distribution tariffs, however, are the second highest in Europe (after Spain) and further work is outstanding to fully align legislation with the third Internal Energy Market Directives. **<u>Some progress</u>** in strengthening the independence of the regulators. In the energy sector, the independence of the regulators is not ensured and their tasks are not conforming to the internal market Directives (third package). In the telecom sector, the rules under which the Belgian Council of Ministers can intervene in the decisions or plans of the BIPT (Belgian Institute for Post and Telecommunications) are in breach with		

		the independence of the BIPT. In the transport sector, the 2012 adopted legislation on the regulatory body for railway transport and for Brussels Airport operations, reinforcing the independence of the regulator, has been implemented. No further major issues exist with regard to the regulatory function for railway transport. However, in the case of Brussels Airport, the main issue concerns the excessive power exerted by the Minister in arbitrating airport charges-related disputes. In the case of Brussels-South Charleroi Airport, the independence of the Walloon supervisory authority should also be guaranteed. **No progress** on removing remaining regulatory barriers in the postal sector. Persisting regulatory barriers (i.e. excessive licensing requirements, notably mandatory geographical and daily coverage and a uniform tariff for licensed services) reduce consumer choice.		
	5. Establish concrete and time-specific proposals **for shifting taxes from labour** to less growth-distortive tax bases, notably by exploring the potential of environmental taxes, for example on diesel, heating fuels and the taxation of the private use of company cars. Simplify the tax system by reducing tax expenditures in income taxation, increasing VAT efficiency and improving tax compliance by closing	**Limited Progress:** **Limited progress** in shifting taxes from labour to less growth-distorting tax bases. Though a number of small measures have been taken in the context of a 'competitiveness pact', no substantial tax shift from labour to less growth distorting tax bases has taken place. No concrete proposals have been made to make more use of environmental taxes, and diesel and fuel were excluded	**2.** Improve the balance and fairness of the overall tax system and prepare a comprehensive tax reform that will allow **shifting taxes away from labour** towards more growth friendly bases, simplifying the tax system, closing loopholes, increasing VAT efficiency, broadening tax bases, reducing tax expenditures and phasing out environmentally harmful subsidies.	**Limited Progress:** Shifting taxes away from labour: Increase in the ceiling of the lump sum allowance for professional expenses (by EUR 14/month in 2015, repeated in 2016). Tax duties on standard shares were increased from 2.5% to 2.7%, on capitalisation shares from 1% to 1.3%. All excise duties are annually indexed as of 2015. Additional increases in

	existing loopholes.	from the general increase in excise duties as of 1.8.2013. **<u>Limited progress</u>** in simplifying the tax system. A number of simplification measures have been legislated. With regard to increasing VAT efficiency, the VAT exemption for lawyers' services has been abolished but the reduction from 21 % to 6 % of the VAT rate for electricity (effective in April 2014) goes against both objectives of simplifying the tax system and moving towards a less growth-distorting tax base. Tax compliance has been improved by a stepping-up of the fight against fraud. The 'fairness tax' for large companies can be seen as an indirect reaction to the use of tax planning in corporate income taxation linked in particular to loopholes in the allowance for corporate equity (ACE) that potentially allow corporations to cascade ACE benefits out of the same initial equity funding. These loopholes have not been addressed.		excise duties are planned for tobacco (2015) and diesel (2016). The Brussels Capital Region has set up a task force to simplify the tax framework and introduce a shift to immovable property taxes. Simplifying the tax system: Announced reduction in social security contributions by employers from 33% to 25% through absorption of existing reductions. Reducing tax expenditures: A number of tax expenditures will not be adjusted for inflation between 2015 up to 2018. The Flemish region reduced the personal income tax reduction for owner-occupied housing. Phasing out environmentally harmful subsidies: By the automatic annual adjustment of the CO2 baseline emissions for the year 2015, the private use of company cars is taxed slightly higher. Regional governments have announced the introduction of a kilometre-based charge for trucks as of 2016. The Flemish region aims to change the fiscal base for car taxation in line with 'polluter-pays' principle. Increase in VAT efficiency: Forthcoming VAT increase to standard rate of 21% for plastic surgery (for non-medical purposes)

				and for renovations of dwellings less than 10 years old (instead of 5 years).
	6. Further **reduce disincentives to work** by ensuring effective enforcement of job-search requirements and personalised job search assistance for all unemployed. Take measures to increase interregional labour mobility. Simplify and reinforce coherence between employment incentives, activation policies, labour matching, education, lifelong learning and vocational training policies for older people and youth. Develop comprehensive **social-inclusion and labour market strategies for people with a migrant background**.	**Some Progress:** **Some progress** on reducing disincentives. A new cooperation agreement between the federal government and the regions on follow-up of and guidance for jobseekers entered into effect on 1 January 2014, providing for enhanced activation, conditionality, quicker follow-up and sanctions. Disincentives to work are set to fall at the bottom of the pay scale, as a result of the reform of the unemployment benefit system and the reinforcement of the work bonus, though unemployment traps in Belgium remain both sizeable and pervasive. **Some progress** on inter-regional labour mobility. The regional employment services have continued to invest in bilateral and multilateral cooperation. Recent statistics show increasing commuter flows from high- to low-unemployment areas across regional borders. **Limited progress** on simplifying and reinforcing coherence. Labour market and education and public training institutions in the three regions/communities have intensified cooperation to make initial vocational training more relevant to market needs and to cope with the increasing need for	**4.** Increase labour market participation, in particular by **reducing financial disincentives to work, increasing labour market access for disadvantaged groups** such as the young and people with a migrant background, improving professional mobility and addressing skills shortages and mismatches as well as early school leaving. Across the country, strengthen partnerships of public authorities, public employment services and education institutions to provide early and tailor-made support to the young.	**Some Progress:** **Some progress** to reduce financial disincentives to work: Increase in the ceiling of the lump sum allowance for professional expenses (by EUR 14/month in 2015, repeated in 2016). Temporary unemployment benefits are calculated on the basis of 65% of the reference wage (instead of 70% before). Eligibility requirements for the income top-up for part-time unemployed are tightened and the allowance is reduced. A time limit of 2 years is also envisaged, following which an evaluation is planned. Seniority top-up for elderly unemployed has been abolished, bar certain exceptions. Eligibility criteria for insertion allowance are tightened (age ceiling for new entrants lowered from 30y to 25y). Allowance for young unemployed below 21 will become conditional on obtaining a high-school or equivalent alternate learning degree.

		continuous vocational training as well as adult training. There is no coherence among the different policies/actors to address the early school leaver issue country-wide, Statistics show persisting and increasing regional/community differences. **<u>Limited progress</u>** on comprehensive strategies for people with a migrant background. The federated entities have taken action mostly affecting newcomers, without developing a coherent strategy to address the issues affecting second- and third-generation migrants, many of whom have Belgian nationality with the notable exception of an increased offer of language courses. Yet the creation of a statistical tool allowing describing and monitoring the labour market inclusion of people of migrant origin is notable.		Reference wage used to calculate unemployment benefits is altered resulting in a slight decrease in the average allowance. Tax reduction on unemployment benefits is not indexed during 2015-19. Fiscal part of the 'work bonus' will be increased in Jan-2016 resulting in higher take home pay for low wage earners. A second increase is planned in 2019. The federal government coalition agreement intends to make unemployment benefits for the long-term unemployed conditional on recipients doing two half days of 'community service'. This is to be implemented through a cooperation agreement with the regions. **<u>Limited progress</u>** to increase labour market access for disadvantaged groups: The structural reduction in employers' social security contributions (ESSCs) for low-wage earners was increased in Jan-2015 by EUR 14 (to EUR 476.6/quarter) to encourage demand for low-wage labour. Additional increases by the same amount are planned in 2017 and 2019. The wage limit to qualify for these reductions is indexed and increased, extending the

				target group. Regions: The sixth state reform transferred competence for granting target group specific reductions in ESSC, allowing regions to better align employment incentives with the differing needs of the regional labour markets. FL: simplification of the existing system announced, refocusing incentives on young unemployed, unemployed above the age of 55 and people with disabilities. FL: reform of subsidised service vouchers for domestic and/or proximity services has been tabled. The requirement that at least 60% of those hired must be on unemployment benefit or welfare recipients would be abolished, increasing the barrier for entry to this labour market circuit for the most disadvantaged. WA: government agreement envisages improving targeted policies aimed at getting young people with low qualifications into the labour market. **<u>Some progress</u>** towards addressing skills mismatches and early school leaving (see CSR 5 below). **<u>Limited progress</u>** towards

				strengthening partnerships between public authorities, public employment services and educational institutions: BXL: Plans to strengthen partnerships between PES and education/training providers and actors. FL: Youth Guarantee Implementation Plan will be updated to better integrate education and employment actions. WA: government agreement envisages conclusion of a 'Pact for employment and training' with the social partners. Entry into force planned for 2016.
	7. Take concrete measures and agree a clear division of efforts between the federal and regional authorities to ensure progress towards reaching the targets for **reducing greenhouse gas emissions** from non-ETS activities, in particular from transport and buildings.	**Limited Progress:** **Limited progress** in taking concrete measures towards reducing greenhouse gas emissions. **Limited progress** on a clear division of efforts between the regional and federal authorities. The Walloon Region has adopted its '*Décret Climat*', and the Brussels Region has adopted the Brussels code of air, climate and energy legislation (COBRACE) but their respective first five-yearly 'air, climate and energy plan' presenting concrete measures has yet to be adopted and implemented. The Flemish Region has adopted the 'Flemish Climate Policy	**6.** Ensure that the 2020 targets for **reducing greenhouse gas emissions** from non-ETS activities are met, in particular as regards buildings and transport. Make sure that the contribution of transport is aligned with the objective of reducing road congestion. Agree on a clear distribution of efforts and burdens between the federal and regional entities.	**Limited Progress:** The three regions and the federal government have made **no progress** in discussions on how to distribute the effort needed in 2013-20 through an effort-sharing agreement. This should cover the distribution of the non-ETS emissions objective, of the renewable energy objective and of revenues from the auctioning of emission allowances (these are blocked on an account). A mechanism for increasing regional bodies' awareness of responsibility for climate protection has started in 2015. This involves determining a

		Plan 2013-20', but full implementation has not yet been achieved.		multiannual reference trajectory on the reduction of GHG emissions in the residential and tertiary building sector for each region. If a region meets (misses) its assigned objective, it receives a financial bonus (penalty) proportional to its distance to the trajectory. The mechanism would be funded by the (blocked) revenues from the auctioning of emission allowances. The intention exists to prepare a specific national system for GHG reduction policies, measures and projections, as already exist for GHG inventories. Important elements of the 'Flemish Climate Policy Plan 2013-2020' are still to be finalised, such as the Flemish Mobility Plan. The Flemish Climate Fund provides a financial framework for additional climate policy, but will draw on the (blocked) auctioning revenues. The Walloon region's first 5-year 'plan air-climat-énergie' presenting concrete measures is still under development (the public consultation ended in Sep-2014). The Brussels region's 'air-climate-energy plan' defining measures and actions is undergoing an environmental impact evaluation before being submitted to public

				scrutiny. Policy intentions aimed at reducing congestion are contained in the respective government agreements for 2014-19. The adoption of some of these measures at risk, however. The different regions seem to have conflicting intentions on the introduction of road charging for passenger cars. On the other hand, the kilometre charge for heavy vehicles will be introduced in 2016 in all regions. Several other policy intentions still need to be transposed into concrete measures e.g. infrastructure works around Brussels and Antwerp and encouraging a modal shift by investing in inland waterways.

DE	[Country Specific Recommendations 2013](#) **SGP: CSR 1 and MIP: CSR -**	[Assessment of implementation of CSR 2013](#) **(based on COM staff documents)**	[Country Specific Recommendations 2014](#) **SGP: CSR 1 and MIP: CSR 1, 2, 3, 4**	[Assessment of implementation of CSR 2014](#) **(based on COM staff documents)**
	1. Preserve a sound fiscal position as envisaged which ensures **compliance with the medium- term objective over the programme horizon**. Pursue a growth-friendly fiscal policy through additional efforts to enhance the cost-effectiveness of public spending on healthcare and long- term care through better integration of care delivery and a stronger focus on prevention and rehabilitation and independent living. Improve the **efficiency of the tax system**, in particular by broadening the VAT base and by reassessing the municipal real estate tax base; use the available scope for increased and more efficient growth-enhancing spending on education and research at all levels of government. Complete the **implementation of the debt brake in a consistent manner across all Länder**, ensuring that monitoring procedures and correction mechanisms are timely and relevant.	**Some Progress:** The recommendation to preserve a sound fiscal position has been **fully addressed**. Germany recorded a balanced budget and a structural surplus in 2013. It plans continued compliance with the medium-term budgetary objective and to steadily bring down the debt-to-GDP ratio over the programme period. **Limited progress** in enhancing the cost-effectiveness of public spending on healthcare and long-term care. Measures containing price increases for pharmaceuticals have been prolonged. New measures aimed at improving the quality and cost-effectiveness of healthcare have been announced but not yet specified. **No progress** in improving the efficiency of the tax system. No major measures have been taken or announced to shift towards more growth friendly revenue sources. **Limited progress** in raising expenditure on education and some progress as regards more research spending. The federal government plans continued contributions to the	**1.** Pursue growth-friendly fiscal policy and preserve a sound fiscal position, ensuring that the **medium-term budgetary objective continues to be adhered** to throughout the period covered by the Stability Programme and that the general government debt ratio remains on a sustained downward path. In particular, use the available scope for increased and more efficient public investment in infrastructure, education and research. Improve the **efficiency of the tax system**, in particular by broadening the tax base, in particular on consumption, by reassessing the municipal real estate tax base, by improving the tax administration and by reviewing the local trade tax, also with a view to foster private investment. Make additional efforts to increase the cost-effectiveness of public spending on healthcare and long-term care. Ensure the **sustainability of the public pension system** by (i) changing the financing of new non-insurance/extraneous benefits ("*Mütterrente*") to funding from tax revenues, also in order to avoid a further increase of social security contributions, (ii) increasing incentives for later retirement, and (iii) increasing the	**Limited Progress** (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact): **Some progress** in increasing public investment in infrastructure, including an additional EUR 10 billion for infrastructure investment recently announced for the period 2016–18. **Limited progress** in raising education spending and some progress in increasing research spending. The federal government has increased expenditure on education and research, but the share of public spending on education as a proportion of GDP is still below EU average and total expenditure on education and research may fall short of the national target of 10 % of GDP by 2015. **No progress** in improving the efficiency of the tax system. **Some progress** in increasing the cost‑effectiveness of public spending on healthcare and long‑term care. An independent Institute for Quality Control and Transparency in Healthcare has been set up and the main features of a hospital care reform

		financing of educational infrastructure, but the share of public spending on education in GDP remains below-average. In contrast, the share of public and private expenditure on R&D in GDP has increased in recent years. **Some progress** in completing the 'debt brake'. Two more *Länder* have amended their constitutions and two further *Länder* have laid down specific implementing rules.	coverage in second and third pillar pension schemes. Complete the implementation of the debt brake consistently across all *Länder*, ensuring that monitoring procedures and correction mechanisms are timely and relevant. Improve the design of fiscal relations between the federation, *Länder* and municipalities also with a view to ensuring adequate public investment at all levels of government.	outlined. The use of outpatient benefits and services in long-term care have been promoted. **No measures** have been taken to better safeguard the sustainability of the pension system following the 2014 pension reform. **Some progress** in completing the implementation of the 'debt brake'. One more *Land* has amended its constitution and another one further specified implementing rules. **Limited progress** in improving the design of fiscal relations between the federal government, the federal states and the municipalities. Preparatory steps towards a comprehensive reform have been taken.
	2. Sustain conditions that **enable wage growth** to support domestic demand. To this purpose, **reduce high taxes and social security contributions**, especially for low-wage earners and raise the educational achievement of disadvantaged people. Maintain appropriate activation and integration measures, especially for the long-term unemployed. Facilitate the transition from non-standard employment such as mini-jobs into more sustainable forms of employment. Take measures to improve incentives to work and the employability of workers, in particular	**Limited Progress:** **Some progress** in sustaining conditions that enable wage growth to support domestic demand. Wages have increased in recent years and are expected to continue growing. **Limited progress** in reducing the high tax wedge, especially for low-wage earners. The increase in the basic income tax allowance slightly reduced the tax burden on labour and curbed the impact of fiscal drag only partially. The recent pension reform leads to increased pension contributions and	**2.** Improve conditions that further support domestic demand, inter alia by **reducing high taxes and social security contributions**, especially for low-wage earners. When implementing the general minimum wage, monitor its impact on employment. Improve the employability of workers by further raising the educational achievement of disadvantaged people and by implementing more ambitious activation and integration measures in the labour market, especially for the long-term unemployed. Take measures to **reduce fiscal disincentives to**	**Limited Progress:** **Limited progress** in reducing the high tax wedge, especially for low-wage earners. The reduction in the pension contribution rate by 0.2 pp. was more than offset by an increase of 0.3 pp. in the contribution rate for long-term care. Moreover, the Act to enhance financial structures and quality in statutory health insurance reduced the contribution rate for employees from 8.2 % to 7.3 %, but also allows individual health insurers to raise extra, income based premiums from employees, and it appears that for

	for second earners and low-skilled, also with a view to improving their income. To this end, remove disincentives for second earners and further increase the availability of fulltime **childcare facilities** and all-day schools.	thus potentially to a higher tax wedge. **Some progress** in raising the educational achievement of disadvantaged people. The NRP reports on efforts by the federal government and the *Länder* to tackle educational disadvantage. **Limited progress** in maintaining appropriate activation and integration measures. Some measures are being taken, but Germany has not assessed the effectiveness of the 2011 reform of active labour instruments. **Limited progress** in facilitating the transition from non-standard employment to more sustainable forms of employment. The NRP announces measures related to the maximum duration and payment of temporary work, the mini-jobs and the right to return from part-time to full-time work, but these measures are not further specified. **No progress** in removing disincentives for second earners. The announced further promotion of the option of shifting the allocation of the basic income-tax allowance between spouses (*Faktorverfahren*) is likely to have only a limited impact, since the annual tax burden remains unchanged. **Some progress** in further increasing the availability of full-time childcare	**work,** in particular for second earners, and facilitate the transition from mini-jobs to forms of employment subject to full mandatory social security contributions. Address regional shortages in the availability of **fulltime childcare facilities and all-day schools** while improving their overall educational quality.	many insured people the total contribution rate has remained unchanged. The federal government announced plans to reduce the impact of fiscal drag in the current legislative period. On the other hand, the recent increase in the minimum income tax allowance results from existing law and is not considered a new policy measure. **Some progress** towards monitoring the minimum wage. The minimum wage law requires continuous assessment of its impact and a global assessment of the law in 2020. **Limited progress** in improving the educational achievement of disadvantaged people. The federal government launched a programme in 2014 to support the quality of teacher training (*Qualitätsinitiative Lehrerbildung*). Early testing of German language competence is being encouraged at pre-primary level in some federal states. Germany is making efforts to promote the inclusion of disabled students in mainstream education. **Limited progress** in implementing more ambitious activation and integration measures. The Federal Ministry of Labour and Social Affairs announced in 2014 an initiative aimed to reducing long-term unemployment (*'Chancen eröffnen –soziale Teilhabe*

		facilities. The quantity of childcare facilities has grown rapidly and additional funds for investment in childcare are planned. **Limited progress** in increasing the availability of all-day schools. Despite *Länder* efforts to improve the provision of all-day schools, there appears to be scope for improvement.		*sichern. Konzept zum Abbau der Langzeitarbeitslosigkeit'*). This is a step in the right direction, but might not be sufficient to improve individualised support. Germany has not assessed the effectiveness of the 2011 reform of active labour instruments. **No progress** in addressing fiscal disincentives to work for second earners. **No progress** in taking measures to facilitate the transition from non-standard employment such as mini-jobs to more sustainable forms of employment subject to full mandatory social security contributions. **Substantial progress** in increasing the availability of childcare facilities. The quantity of childcare facilities has grown rapidly, but regional bottlenecks and quality concerns remain. Additional funds for investment in childcare are planned. The federal government, federal state governments and municipalities have recently agreed on an overall approach to address quality issues. **Some progress** in increasing the availability of all-day schools. Annual expansion slowed in 2009–2012 compared with the previous years and there are important regional differences. Some federal states have

				launched measures aimed at improving the quality of all-day schools. However a comprehensive national and federal approach is missing.
	3. Improve the coordination of the **energy policy** with neighbouring countries and keep the overall costs of transforming the energy system to a minimum, in particular by further reviewing the cost-effectiveness of energy policy instruments designed to achieve the renewable energy targets and by continuing efforts to accelerate the expansion of the national and cross-border electricity and gas networks.	**Some Progress:** **Some progress** in improving the coordination of energy policy with neighbouring countries. Some measures are being taken to improve coordination with neighbouring countries, e.g. to jointly manage unscheduled flows at the Czech and Polish borders. **Some progress** in reviewing the cost-effectiveness of energy policy instruments designed to achieve the renewable energy targets. The federal government has adopted a proposal for a revision of the Renewable Energy Act that could contribute to increasing the cost-effectiveness of the support for renewable energy. **Some progress** in accelerating the expansion of the national and cross-border electricity and gas networks. The Federal Requirements Plan (*Bundesbedarfsplan*) has been implemented and the federal regulator has been granted new competences, but network expansion is still lagging behind.	**3.** Keep the overall costs of transforming the energy system to a minimum. In particular, monitor the **impact of the Renewable Energy Act reform** on the cost-effectiveness of the support system for renewable energies. Reinforce efforts to accelerate the expansion of the national and cross-border electricity and gas networks. Step up close energy policy coordination with neighbouring countries.	**Some Progress:** **Some progress** in keeping the overall costs of transforming the energy system to a minimum. **Substantial progress** as regards the support system for renewables. The reform of the Renewable Energy Act (EEG) curbs the cost increases associated with the renewable support system, controls the expansion of renewables, initialises market integration and stabilises the cost contribution of industrial consumers. The increased use of competitive bidding for supporting renewable energy sources may result in further progress. **Limited progress** in electricity network development. The planning of projects to eliminate internal bottlenecks for electricity transmission has begun, but these are still at the development or permitting stage and face regional public opposition. **Some progress** in policy coordination with neighbouring countries. Regular roundtable discussions on regional cooperation to promote the security of the electricity supply and renewable

				energies have been set up. A Green Paper on electricity market design aimed at facilitating the decision on whether to introduce a national capacity remuneration mechanism has been published.
	4. Take measures to further stimulate **competition in the services sectors**, including certain crafts — in the construction sector in particular — and professional services to boost domestic sources of growth. Take urgent action to significantly increase the value of **public contracts open to procurement**. Adopt and implement the announced legislative reform to improve the enforcement of competition law regarding competition restrictions. Remove planning restrictions which unduly restrict new entries in the retail sector. Take further measures to eliminate the remaining **barriers to competition** in the railway markets. Pursue efforts for consolidation in the banking sector, including by improving the governance framework.	**Limited Progress:** **Limited progress** in taking measures to further stimulate competition in the service sector. Germany has undertaken isolated reforms in specific professions and regions. **Limited progress** in increasing the value of public contracts open to procurement. Steps in the right direction, including the development of a database on procurement procedures. **Full implementation** of improved enforcement of competition law as regards competition restrictions. The revised Act against Competition Restrictions came into force in 2013. **No progress** in removing planning regulations that unduly restrict new entries in the retail sector. No measures have been taken. **Limited progress** in taking further measures to eliminate the remaining barriers to competition in the railway markets. No significant steps to improve competition in the railway	**4.** Take more ambitious measures to further stimulate **competition in the services sector**, including certain professional services, also by reviewing existing regulatory approaches and converging towards best practices across *Länder*. Identify the reasons behind the low value **of public contracts open to procurement** under EU legislation. Increase efforts to remove unjustified planning regulations which restrict new entries in the retail sector. Take action to remove the remaining **barriers to competition** in the railway markets. Pursue consolidation efforts in the *Landesbanken* sector, including by improving the governance framework.	**Limited Progress:** **Limited progress** as regards stimulating competition in the services sector. Germany is participating in the mutual evaluation exercise provided for in the Directive amending the Professional Qualifications Directive. However, no major changes can be expected before the end of that exercise or before the deadline for submission of the national action plan, which is expected to be in the second quarter of 2015. On legal form and shareholding restrictions, limited changes are underway in some federal states, but there is still no broad review of such restrictions. **Limited progress** in identifying the reasons behind the low value of public contracts open to procurement under EU legislation. The Federal Ministry for Economic Affairs and Energy presented an interim report of a statistical study aimed to build a statistical database and sent circulars on the use of the urgency procedure. **No progress** as regards restrictions in retail.

		markets. The NRP announces the transposition of European legislation into national law. **Limited progress** in pursuing efforts for consolidation in the banking sector, including by improving the governance framework. While Commission state-aid decisions have driven the restructuring of *Landesbanken*, no major measures have been taken to address possible impediments to market-driven consolidation in the public banking sector.		**Limited progress** in improving competition in the railway markets. Germany has announced the preparation of a new proposal to transpose Directive 2012/34/EU in 2015 (Recast of the First Railway Package). The federal government and Deutsche Bahn AG have signed a new infrastructure financing agreement. **No progress** in pursuing consolidation efforts in the *Landesbanken* sector.

EE	Country Specific Recommendations 2013 **SGP: CSR 1 and MIP: CSR -**	Assessment of implementation of CSR 2013 **(based on COM staff documents)**	Country Specific Recommendations 2014 **SGP: CSR 1 and MIP: CSR -**	Assessment of implementation of CSR 2014 **(based on COM staff documents)**
	1. Pursue a growth-friendly fiscal policy and **preserve a sound fiscal position** as envisaged, **ensuring compliance with the medium-term budgetary objective** over the programme horizon. Complement the planned budget rule with more binding multi-annual expenditure rules within the medium-term budgetary framework and continue enhancing the efficiency of public spending.	**Some Progress:** The draft 2014 Budget was adopted as planned, however, the deterioration of the growth outlook and the lowered fiscal targets compared with the previous programme could pose a risk of a **significant deviation** from the Medium Term Objective in 2014 and 2015. The State Budget Act entered into force on 23 April 2014, hence the commitments made under the Treaty on Stability, Coordination and Governance have **broadly been met.** The new law includes a 4-year expenditure ceiling but this is not binding within the medium-term budgetary framework. **No progress** on introducing a multiannual expenditure rule.	**1.** Reinforce the **budgetary measures** for 2014 in the light of the emerging gap of 0,3 % of GDP based on the Commission services 2014 spring forecast, pointing to a risk of significant deviation relative to the preventive arm of the Stability and Growth Pact requirements. In 2015, significantly **strengthen the budgetary strategy to ensure that the medium-term objective is reached** and, thereafter, maintained. Complement the budget rule with more binding multi-annual expenditure rules within the medium-term budgetary framework and continue to enhance the efficiency of public spending.	**Limited Progress** (this overall assessment of CSR 1 excludes an assessment of compliance with the Stability and Growth Pact): **Considerable improvement** in the fiscal framework in general: Estonia's strengthened fiscal framework has become fully operational in 2014. **No progress** on addressing the recommendation related to the fiscal framework: no measures were taken to complement the budget rule with more binding multiannual expenditure rules.
	2. Improve **incentives to work** by making the various existing social-benefit systems more consistent and by increasing the flexibility and targeting of benefit allocation. Improve the delivery of social services, including childcare, while increasing the efficiency and cost-effectiveness of family policy. Strengthen activation measures to facilitate the return to the labour market of the long-term unemployed	**Some Progress:** **Some progress** in improving incentives to work: parents' return to the labour market is more flexible, needs-based family benefits are in place with rates to be increased twofold and the inter-operability of the benefit system is being improved. **Limited progress** in delivering childcare for children 1.5-3 years of age	**2.** Improve **incentives to work** through measures targeted at low income earners. Target activation efforts by ensuring the timely adoption and implementation of the work capacity reform. Increase the efficiency and cost-effectiveness of family policy while improving the availability and accessibility of childcare. Deploy coordinated measures for fostering economic development and entrepreneurship in	**Some Progress:** **Some progress** on incentives to work for low-income earners. The unemployment insurance contribution has been lowered and the minimum wage has been increased. However, the increase in the basic personal income tax allowance from EUR 144 to EUR 154 a month only compensates for the average wage increase.

	and people receiving disability benefits and incapacity for work benefits. Establish coordinated measures for fostering economic development in regions affected by high unemployment.	but the government approved the draft new Pre-School Act on 10 April and the Parliament is reading it. **Substantial progress** in addressing long-term unemployment by means of 'activation' measures. **Limited progress** so far on the major reform on working capacity: adoption of the necessary legislation foreseen for 2014 and entry into force as of mid-2015. **Limited progress** in promoting economic development in regions; projects, including industrial parks, to be financed from 2014 onwards, with impact on job creation yet to be expected.	regions faced with high unemployment.	**Some progress** with the adoption of the work capacity reform package in November. The main acts adopted are as follows: the Work Capacity Benefit Act, amendments to the Social Welfare Act and the Labour Market Services and Benefits Act, and other acts. However, substantial efforts are required during 2015 to ensure successful implementation from January 2016. **Some progress** on family policy and childcare availability. Changes to the Parental Benefit Act increased flexibility as of 2014. Additional benefits for families with children have been introduced (increase in child benefits, doubling of means-tested family allowance to low-income families, higher weighing of children when granting subsistence benefits). Amendments to the Pre-School Act adopted by parliament in November were made, with the aim of improving the availability of childcare for children from 1.5 to 3 years old. A Green Paper on Family Support and Services was submitted for public consultation in January. The Operational Programme for Cohesion Policy Funds adopted in December 2014 foresees the creation of 2000 additional nursery and childcare places with ERDF funding in the urban areas of Tallinn, Tartu and Pärnu by 2023. **Limited progress** on fostering

				development and entrepreneurship in regions. The regional strategies for north-eastern and south-eastern Estonia were expected to be ready for adoption by the government in January 2015. The process of updating the county development plans and putting in place the corresponding action plans is underway also in the other Estonian regions. The development of industrial parks in regions faced with high unemployment (north-eastern Estonia) is ongoing. Investment supported by ESI funds was made in two urban areas in the Ida-Viru region. A measure called 'Sustainable urban development in Ida-Viru area' will be enforced in 2015, and will include support for a wide range of activities. County development centres for companies are being further developed, and have started to offer more comprehensive support to companies in rural areas.
	3. Continue efforts to improve the **labour-market relevance of education and training** systems, including by further involving social partners and implementing targeted measures to address youth unemployment. Significantly increase the participation of the low skilled in life-long learning. Intensify efforts to prioritise and internationalise the research and innovation systems and enhance cooperation between	**Substantial Progress:** **<u>Substantial progress</u>** in addressing youth unemployment by means of 'activation' measures and thanks to the favourable economic environment. **<u>Substantial progress</u>** in reforming general upper secondary school, vocational education and training and higher education, where all reforms are in the implementation phase. Delays in	**3.** To ensure the **labour-market relevance of education and training systems**, improve skills and qualification levels by expanding lifelong learning measures and systematically increasing participation in vocational education and training, including in apprenticeships. Further intensify prioritisation and specialisation in the research and innovation systems and enhance cooperation between businesses,	**Some Progress:** **<u>Some progress</u>** on lifelong learning and vocational education and training. A lifelong learning strategy was adopted by the Estonian government in early 2014, and programmes to implement it are currently being drawn up and are set to be presented in March 2015. A reform of curricula in the VET education system is ongoing, there has been progress on improving

	businesses, higher education and research institutions.	adjustments to the Adult Training Act. **Some progress** in improving the relevance of education for the labour market: the national strategy on lifelong learning was adopted in February 2014. Creating closer links between the education sector and labour market needs remains an open issue however, particularly in respect of vocational education and training and apprenticeships. Moreover, the number of graduates in science, technology, engineering and mathematics is still relatively low compared with the EU average and other countries in the region. **Some progress** has been made in adopting the new strategy on research, development and innovation for 2014-20, 'Knowledge-based Estonia', and the strategy on entrepreneurship for 2014–20, which highlight the importance of improving cooperation between businesses, higher education and research institutions.	higher education and research institutions to contribute to international competitiveness.	skills and qualifications levels, and participation in lifelong learning has increased. An Adult Education Act and a Professions Act have been adopted by the parliament in early 2015. **Limited progress** on improving attractiveness of vocational education and training as well as of apprenticeships. **Some progress** on research and innovation systems and on improving cooperation between businesses, higher education and research institutions. As regards the implementation plan for the RDI strategy approved in September 2014, the responsibilities for R&D policies have been clarified, the process of establishing smart specialisation growth areas has been set up and growth areas have been suggested for further investigation, cooperation improved across ministries, and a Steering Committee has been set up. An applied research programme is being set up (scheduled for 2015). An amended Organisation of Research and Development Act entered into force on 1 January 2015, strengthening the position of research personnel and giving more independence to R&I institutions. As regards links within the knowledge triangle (education-research-innovation), the number of research contracts has tripled. The

				SPINNO cooperation programme between universities and foreign companies has been set up. Scholarships have been introduced in specific curricula at tertiary level. A legal framework for public R&D procurement has been set up. University research facilities have been made accessible to external users. Clusters and technological development centres are being set up. **Some progress** on the alignment of higher education (graduates in science and technology) with the needs of businesses and research institutions.
	4. Improve energy efficiency, in particular in buildings and transport, and strengthen environmental incentives concerning vehicles and waste. Step up the development of cross- border energy connections to diversify energy sources and promote competition in the energy market.	**Some Progress:** **Limited progress** in energy efficiency in buildings: energy efficiency in buildings is being addressed via EU Structural Funds. Further progress in the building sector is dependent on funding from the EU funds for 2014-20. The Estonian government tightened energy efficiency requirements for public buildings in January 2013, bringing legislation into line with the EU Energy Efficiency Directive, and extended the support scheme for renovations of apartments in August 2013. Planning and preparation of measures relating to residential and industrial buildings are in their initial stages. **Limited progress** in energy efficiency	**4.** Step up efforts to **improve energy efficiency**, in particular in residential and industrial buildings. Substantially strengthen environmental incentives for the transport sector to contribute to less resource-intensive mobility. Continue the development of cross-border connections to neighbouring Member States to diversify energy sources and promote competition through improved integration of the Baltic energy markets.	**Some Progress:** **Some progress** on residential and industrial buildings. Measures to increase energy efficiency in housing and central heating systems are ongoing. EUR 340 million in total (ERDF + national funding) has been earmarked for supporting renovation and increasing the energy efficiency of apartment buildings in the 2014-20 budget period, covering the renovation of multi-apartment buildings to achieve an average of 45% energy savings for 40 000 households by 2023. In the 2007-2013 period 22 500 apartments have been renovated, the expected energy savings averaging 40%. **Limited progress** on environmental

		in transport: the measures undertaken so far include establishing energy efficiency criteria for public procurement, developing a more energy-efficient public transport fleet, pursuing the on-going electromobility programme 2012-14 and extending the quick-charging infrastructure for electric cars across the country. No new environmental incentives relating to vehicles have been adopted recently. Estonia still has the second most energy-intensive car fleet in the EU. The new government foresees the partial removal of preferential VAT treatment for corporate cars. There are signs of an increased use of urban public transport and passenger rail. **Substantial progress** in the area of waste: economic instruments (e.g. a progressive increase of the landfill tax, the application of extended producer responsibility and deposit refund schemes) and the entry into operation of new mechanical biological treatment facilities have led to a reduction in the proportion of waste being sent to landfill sites. Environmental taxation provides for a 20 % progressive increase in the tax imposed on oil-shale waste starting from 1.4.2013. The National Waste Management Plan was submitted to Parliament on 20 April. Additional efforts to increase recycling will however be needed if the 50 % recycling target is to be reached by 2020.		incentives in the transport sector. The 2012-14 electro-mobility programme in transport has been implemented. The renewal of public transport fleets is ongoing. The joint venture to prepare and implement Rail Baltic has been established. Measures towards the 5-7 % biofuel mixing obligation for motor fuels and including financial support for producing and using bio-methane in transport have been announced, but have not been implemented so far. The shift towards increasing the share of alternative fuels will be encouraged through investment in pilot facilities. An energy-efficiency labelling scheme for cars has been prepared. **Substantial progress** on cross-border connections. Estlink 2 (submarine cable) has been operational since March. Estonia is going ahead with the development of a third electricity connector with Latvia. An agreement has been reached on the Baltic connector gas pipeline between Estonia and Finland (scheduled for 2019). Two LNG terminals have been selected: a large-scale one in Finland and a smaller in Estonia.

		Some progress in cross-border energy connections: trading via Nord Pool Spot and the Estlink 2 cable (connecting Estonia with Finland) operational. Agreements reached on 28 February to build regional liquefied natural gas terminals both in Estonia and in Finland and a gas supply pipeline (Baltic connector) connecting the two countries.		
	5. Better balance **local government** revenue against devolved responsibilities. Improve the efficiency of local governments and ensure quality provision of local public services.	**Limited Progress:** **Limited progress** so far on the local government revenue incentives: lack of financial incentives encouraging local initiatives to increase local revenue. The Equalisation Fund still creates disincentives for municipalities to attract enterprises or support job creation. **Limited progress** in the provision of good quality and affordable local services: legislative changes to ensure the applicability of minimum standards in social services to all municipalities have been announced, but are not expected to be adopted by the government before summer. The government adopted a new Regional Strategy for 2014-20 on 20 March. The draft new Local Government Act is unlikely to proceed. The coalition agreement of the new government has committed to preparing a government reform programme by 2015.	**5.** Better balance **local government** revenue against devolved responsibilities. Improve the efficiency of local governments and ensure the provision of quality public services at local level, especially social services complementing activation measures.	**Limited Progress:** **No progress** on balancing local government revenue against devolved responsibilities. Draft changes to the Equalisation Fund were announced in 2013, but have not been restated since then. **Limited progress** on the availability of quality services, in particular social services, at local level. Draft adjustments to the Codified Social Code establishing minimum requirements for municipalities and defining standards for certain social services provided at local level were submitted to the government in February. The government adopted the updated OECD Action Plan that, though favourable for the overall functioning of public administration, is not having an impact on the challenges raised by the country specific recommendation. Measures to establish regional public transport

				centres are being continued. The county development centres, partly financed by Enterprise Estonia, have started to offer more comprehensive support to companies in rural areas. Funding from the European Social Fund is being used to deliver social welfare services and implement a counselling project for people with multiple problems and their family members.

IE	[Country Specific Recommendations 2013]	Assessment of implementation of CSR 2013 (based on COM staff documents)	[Country Specific Recommendations 2014] SGP: CSR 1, 2 and MIP: CSR 1, 3, 5, 6	[Assessment of implementation of CSR 2014] (based on COM staff documents)
	To avoid duplication with measures set out in the Economic Adjustment Programme, there are no additional recommendations for Ireland.		**1.** Fully implement the 2014 budget and ensure the **correction of the excessive deficit** in a sustainable manner by 2015 through underpinning the budgetary strategy with additional structural measures while achieving the structural adjustment effort specified in the Council recommendation under the Excessive Deficit Procedure. After the correction of the excessive deficit, pursue a structural adjustment towards the **medium-term objective** of at least 0,5 % of GDP each year, and more in good economic conditions or if needed to ensure that the debt rule is met in order to put the high general government debt ratio on a sustained downward path. Enhance the credibility of the fiscal adjustment strategy, effectively implement multi-annual budgetary planning and define broad budgetary measures underlying the medium-term fiscal targets. Ensure the binding nature of the government expenditure ceiling including by limiting the statutory scope for discretionary changes. To support fiscal consolidation, consideration should be given to raising revenues through broadening the tax base.	**Some Progress** in addressing CSR 1 (this overall evaluation excludes an assessment of compliance with the Stability and Growth Pact): **No progress**: no changes have been made to the legal framework for expenditure ceilings. **Some progress**: starting in 2015 for new companies, and following a transition period until the end of 2020 for established ones, companies registered in Ireland will be treated as resident for tax purposes regardless of ownership structure, thereby scheduling an end to the ‘double Irish’ system and potentially broadening the tax base. No other measures have been taken to broaden the tax base, and little has been done to enhance the growth and environmental friendliness of the tax system.

			Enhance the growth and environmental friendliness of the tax system.	
			2. Advance the reform of the **healthcare sector** initiated under the Future Health strategic framework to increase cost-effectiveness. Pursue additional measures to reduce pharmaceutical spending, including through more frequent price realignment exercise for patented medicines, increased generic penetration and improved prescribing practices. Reform the financial management systems of the national health authority to streamline systems across all providers and to support better claims management. Roll out individual health identifiers starting by the end of the first quarter of 2015 at the latest.	**Some Progress:** **Some progress**: the Health (Pricing and Supply of Medical Goods) Act 2013 provided for the establishment of a system of internal reference pricing, with internal reference pricing now established for 36 molecules. Generics penetration increased to around 70% in volume by Q3-2014. The mid-term review of the framework agreement with the Irish Pharmaceutical Healthcare Association (IPHA) on the supply terms, conditions and prices of medicines has begun but not finished. The authorities are asking for a widening of the reference basket, alignment to the lowest price instead of the average price, and more frequent realignments. The outcome of the review is not yet known. The rules on pricing realignment for patented medicines have not been changed. **Some progress**: an activity-based funding model for budget allocations in statutory hospitals has been introduced on a shadow basis, but a full switch to activity-based funding will take some years to complete. **Some progress**: the timeline for the roll-out of the first phase of individual health identifiers has been delayed, but

				the Health Identifiers Act 2014 was enacted in July 2014 and the Chief Information Officer in charge of leading the work has been recruited. The first phase of deliverables is being supported by budget planning.
			3. Pursue further improvements in **active labour market policies**, with a particular focus on the long-term unemployed, the low-skilled and, in line with the objectives of a youth guarantee, young people. Advance the ongoing reform of the further education and training (FET) system, employment support schemes and apprenticeship programmes. Offer more workplace training; improve and ensure the relevance of FET courses and apprenticeships with respect to labour market needs. Increase the level and quality of support services provided by the Intreo labour offices. Put in place a seamless FET referrals system between Intreo offices and Education and Training Boards.	**Some progress:** **Some progress**: a new version of *Pathways to Work*, the strategy setting out Ireland's reform of activation and training services, was published in October 2014. It sets out new actions to be implemented in the coming year as well as quantitative targets, with a greater emphasis on long-term and youth unemployment. *Pathways to Work* 2015 specifies new measures for implementing the Youth Guarantee. There was some delay in setting up the *Job Path* initiative, but it is going ahead and the contracts with the two providers have now been signed. When fully implemented, it will enable a large number of long-term unemployed to benefit from activation services provided by private contractors. **Some progress**: all training centres under the management of SOLAS have been consolidated under their respective Education and Training Boards, and SOLAS recently published its three-year corporate strategy and a five-year strategy for developing and delivering an

				integrated further education and training sector. **<u>Some progress</u>**: there are about 550 case officers dealing with jobseekers in *Intreo* offices. There are 44 *Intreo* offices now open, but there have been some delays in opening the remaining 16. **<u>Some progress</u>**: protocols have been put in place between Education and Training Boards and *Intreo* offices.
			4. Tackle low work intensity of households and address the poverty risk of children through tapered withdrawal of benefits and supplementary payments upon return to employment. **Facilitate female labour market participation** by improving access to more affordable and full-time childcare, particularly for low income families.	**Limited Progress:** **<u>Limited progress</u>**: Budget 2015 announced that Child Benefit payments will increase by EUR 5 a month throughout 2015. This is not likely to have a significant impact as an individual measure but may help matters as part of a series of announced measures that includes: (1) reforms to the Back to Work Family Dividend; and (2) the establishment of a Low Pay Commission as an independent statutory body that will make annual recommendations to the government on the appropriate level of the minimum wage and related matters. The Housing Supplement is gradually being replaced with the Housing Assistance Payment in order to reduce the disincentive to return to work arising from housing subsidies for the unemployed.

				No progress was made in improving access to more affordable and full-time childcare.
			5. Advance policies for the SME sector including initiatives to address the availability of bank and non-bank financing and debt restructuring issues, while avoiding risks to public finances and financial stability. Advance initiatives to improve **SME's access to bank credit and non-bank finance**. Introduce a monitoring system for SME lending in the banking sector. In parallel, work to ensure that available non-bank credit facilities, including the three SME funds co-funded by the National Pensions Reserve Fund, Microfinance Ireland and the temporary loan guarantee scheme, are better utilised. Promote the use of these and other non-bank schemes by SMEs. Enhance the Credit Review Office's visibility and capabilities in mediating disputes between banks and prospective SME borrowers who have been refused credit.	**Some Progress:** **Some progress**: the legislation to replace the National Pensions Reserve Fund (NPRF) with the Ireland Strategic Investment Fund was enacted in July 2014.The mandate of the Ireland Strategic Investment Fund is to invest on a commercial basis to support economic activity in Ireland. It will focus in part on SMEs and manage assets worth EUR 7 billion (4% of GDP). The recently established state development corporation for SMEs, the Strategic Banking Corporation of Ireland was launched in October 2014 to provide loans through existing credit institutions, with a full rollout of products expected in the first quarter of 2015. The Strategic Banking Corporation of Ireland secured an initial amount of EUR 800 million in funds, of which EUR 550 million are guaranteed by the government. **Substantial progress**: The authorities publish quarterly data on bank lending to SMEs, but no longer have a formal target based system to monitor lending to SMEs though it is closely watched. **Some progress**: Two SME funds, co-financed by the National Pensions Reserve Fund (NPRF), are lending

				with a growing number of projects in the pipeline. The mandate of a third NPRF fund, the Turnaround Fund, was not renewed at the end of 2014 due to the limited pool of underperforming/distressed businesses eligible as turnaround investment cases amid a continued economic recovery. The Action for Jobs 2015 announced a reconfigured Credit Guarantee Scheme and a simplified operation of the Microenterprise Loan Fund. A supporting SMEs Online Tool was launched to increase awareness among SMEs of available business supports. A communications campaign is being run to showcase the website. **Some progress**: Permanent TSB has agreed to participate in the Credit Review Office process since it will begin lending to SMEs. The upper limit for referring refusals to the Credit Review Office has been increased to EUR 3 million. As the latest RedC SME Credit Demand Survey (September 2014) shows, there are still issues with the visibility and usage of nonbank schemes and of the Credit Review Office for appeals against credit refusals. Awareness and knowledge of SME funding options remains low.
			6. Monitor banks' performance against the mortgage arrears restructuring targets. Announce ambitious targets for the third and fourth quarters of	**Some progress:** **Full implementation:** the Central Bank of Ireland continues to monitor

			2014 for the principal mortgage banks to propose and conclude restructuring solutions for mortgage loans in arrears of more than 90 days, with a view to substantially **resolving mortgage arrears** by the end of 2014. Continue to assess the sustainability of the concluded restructuring arrangements through audits and targeted on-site reviews. Develop guidelines for the durability of solutions. Publish regular data on banks' SME loan portfolios in arrears to enhance transparency. Develop a strategy to address distressed commercial real-estate exposures. Establish a central credit registry.	banks' performance against the mortgage arrears restructuring targets. **Full implementation**: in June 2014, the Central Bank of Ireland announced new targets for the third and fourth quarters of 2014. For the third quarter of 2014, the banks reached and even exceeded the targets, with an encouraging 91 % of solutions meeting the terms. Audits are taking place of the banks' mortgage arrears resolution targets Q2-2014 returns. **Substantial progress**: the Central Bank of Ireland continues to assess the sustainability of the concluded restructuring arrangements through audits and on-site reviews. **No progress** was made in developing guidelines for the durability of solutions. **No progress** was made in publishing regular data on the banks' SME loan portfolios in arrears. **Limited progress**: the National Asset Management Agency is ahead of schedule with EUR 18.7 billion of asset disposals at end-December 2014 (28 % of which are disposals of Irish assets), taking advantage of strong market demand.

				Limited progress: the Credit Reporting Act, 2013 came into force in January 2014. Work on the central credit register has been well underway since January 2014, but the current timeline envisages some delay with the register being operational in late 2016 for consumer credit, and subsequently for commercial credit.
			7. Reduce the cost **of legal proceedings and services and foster competition**, including by adopting the Legal Services Regulation Bill by the end of 2014, including its provision allowing the establishment of multi-disciplinary practices, and by seeking to remove the solicitor's lien. Monitor its impact, including on the costs of legal services. Take executive steps to ensure that the Legal Services Regulatory Authority is operational without delay and that it meets its obligations under the legislation, including in terms of publishing regulations or guidelines for multi-disciplinary practices and the resolution of complaints. Improve data collection systems to enhance the monitoring and evaluation of the efficiency of judicial proceedings to identify issues in need of reform.	**Limited progress:** **Limited progress**: the authorities have indicated that the Legal Services Regulation Bill should pass Dáil Report Stage in early 2015 and proceed to the Seanad soon after that. Progress towards enactment therefore continues to be slow. Indications were initially that the Bill would proceed to Report Stage (the final stage in the Dáil l before being sent to the Seanad) before the summer recess, but this did not happen. Recurrent long delays have been experienced in the past and seem to be happening again after some acceleration in the process in early 2014. **No progress**: the Bill will not include a provision to remove the solicitor’s lien. **No progress**: the Bill needs to be enacted first and it will take time before its impact can be assessed.

				Limited progress: Budget 2015 allocated EUR 500 000 towards setting up the Legal Services Regulatory Authority. **Some progress**: the authorities have taken measures to improve systems to collect data collection on judicial proceedings. The implementation of these measures remains to be completed for some courts and areas of the justice system.

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

ES	Country Specific Recommendations 2013 **SGP: CSR 1 and MIP: CSR 1, 2, 3, 4, 5, 7, 8, 9**	Assessment of implementation of CSR 2013 **(based on COM staff documents)**	Country Specific Recommendations 2014 **SGP: CSR 1 and MIP: CSR 1, 2, 3, 4, 6, 7, 8**	Assessment of implementation of CSR 2014 **(based on COM staff documents)**
	1. Deliver the **structural fiscal effort as required** by the Council recommendation under the EDP to ensure **correction of the excessive deficit by 2016**. To this end, implement the measures adopted in the 2013 budget plans at all levels of government, **reinforce the medium-term budgetary strategy with sufficiently specified structural measures for the years 2014-16**. A durable correction of the fiscal imbalances is predicated upon the credible implementation of ambitious structural reforms which would increase the adjustment capacity and boost potential growth and employment. After achieving the correction of the excessive deficit, pursue the structural adjustment at an appropriate pace so as to reach the **medium term objective by 2018**. Ensure a strict and transparent enforcement of the preventive and corrective measures provided for in the Budgetary Stability Organic Law. **Establish an independent fiscal authority before the end of 2013** to provide analysis, advice and monitor compliance of fiscal policy with national and EU fiscal rules. Improve the efficiency and quality of public	**Some Progress:** **Some progress** – The headline target is likely to be slightly overachieved in 2014. However, although Spain plans to meet the headline EDP targets recommended in June 2013, budgetary targets are subject to downside risks (in particular for 2015 and after) and the planned fiscal efforts fall short of the Council's recommendations throughout the programme. **Substantial progress** – Compared to 2012, there has been progress on implementing the Budgetary Stability Organic Law, in particular, as regards the availability of detailed and comprehensive evaluation reports of regions' economic and financial plans. **Some progress** – Spain's independent fiscal institution was created by law in November 2013, The creation of Spain's independent fiscal institution did not, however, meet the deadline provided for in EU law, and the delay in setting it up has resulted in the AIREF not being able to assess the 2014 stability programme. **Some progress** – Spain did not	**1. Reinforce the budgetary strategy** as of 2014, in particular by fully specifying the underlying measures for the year 2015 and beyond, to ensure the **correction of the excessive deficit in a sustainable manner by 2016** through achieving the structural adjustment effort specified in the Council Recommendation under the Excessive Deficit Procedure. A durable correction of the fiscal imbalances requires a **credible implementation of ambitious structural reforms** to increase the adjustment capacity and boost growth and employment. After achieving the correction of the excessive deficit, pursue a structural adjustment towards the medium-term objective of at least 0,5 % each year, and more in good economic conditions or if needed to ensure that the debt rule is met in order to put the high general government debt ratio on a sustained downward path. **Ensure that the new independent fiscal authority becomes fully operational as soon as possible** and ensure a full implementation of the preventive, corrective and enforcement measures in the Budgetary Stability Organic Law at all levels of government,	**Some Progress** (This overall assessment of CSR 1 excludes an assessment of compliance with the Stability and Growth Pact): **Substantial progress** was achieved in ensuring that the new independent fiscal authority becomes fully operational as soon as possible. AIReF is now operational. **Limited progress** is recorded in ensuring a full implementation of the preventive, corrective and enforcement measures in the Budgetary Stability Organic Law at all levels of government: the majority of Economic and Financial plans for regions having not complied with the 2013 deficit target were adopted late in 2014: in July 2014, the Fiscal and Financial Policy Council (FFPC) approved the Economic and Financial Plan of Aragón only. On 23/12/2014, it approved those of Catalonia, Valencia, Murcia and Cantabria and Castilla-La Mancha. Moreover, no preventive measures were taken last year on regions at risk of non-compliance with the 2014 deficit target, despite visible deterioration in regions' budget execution.

	expenditure at all levels of government, and conduct a systematic review of major spending items by March 2014. **Increase the cost-effectiveness of the health-care sector**, while maintaining accessibility for vulnerable groups, for example by reducing hospital pharmaceutical spending, strengthening coordination across types of care and improving incentives for an efficient use of resources. Take measures to reduce the outstanding amount of government arrears, avoid their further accumulation and regularly publish data on outstanding amounts. **Adopt the dis- indexation law** to reduce the degree of price inertia in public expenditures and revenues, in time to have it in force by the beginning of 2014 and consider additional steps to limit the application of indexation clauses. Finalise by end-2013 the regulation of the sustainability factor so as to ensure the long-term financial **stability of the pension system**, including by increasing the effective retirement age by aligning retirement age or pension benefits to changes in life expectancy.	conduct a specific comprehensive and systematic review of major spending items by March 2014, as recommended in the CSR. However, measures to rationalise spending on health, employment, and public administration provide information on some key expenditure items. **Some progress** – Measures to contain expenditure in the healthcare sector have been gradually implemented. Measures to guarantee access to healthcare for vulnerable groups have been taken, but the number of complaints regarding restrictions on access has grown. **Substantial progress** – Measures to prevent late payments by the public sector and to establish permanent tools to monitor and control commercial debt in the public sector were adopted in December 2013. This follows measures to pay down commercial arrears through the three waves of the Supplier's Payment Scheme (throughout 2012 and the first quarter of 2014). However, at the time of writing, implementing legislation needed to be adopted, so that the enforcement mechanisms set out in the law could be applied. **Some progress** – The dis-indexation draft law was sent to parliament in December 2013 and its parliamentary adoption is expected throughout 2014. The law needs to be accompanied by	including on the elimination of public sector commercial arrears. Carry out by February 2015 a systematic review of expenditure at all levels of government to underpin the efficiency and quality of public spending going forward. Continue to **increase the cost-effectiveness of the healthcare sector**, in particular by further rationalising pharmaceutical spending, including in hospitals and strengthening coordination across types of care, while maintaining accessibility for vulnerable groups. **Adopt by the end of 2014 a comprehensive tax reform** to make the tax system simpler and more conducive to growth and job creation, preservation of the environment and stability of revenues. To that end, shift revenues towards less distortive taxes, such as consumption, environmental (e.g. on motor fuels) and recurrent property taxes; remove inefficient personal and corporate income tax expenditures; consider lowering employers' social security contributions, in particular for low-wage jobs; continue to tackle the debt bias in corporate taxation; take measures to avoid that taxation hinders the smooth functioning of Spain's internal market. **Step up the fight against tax evasion**.	**Some progress** is recorded on elimination of public sector commercial arrears: on 25/11/2014, the Ministry of Finance published for the first time data on average payment periods covering all general government levels. **Some progress** was made in the systematic review of expenditure at all levels of government. Proposals to review healthcare, education, social and public administration regional spending have been discussed in 2014 at the Financial and Fiscal Policy Council meetings. The spending review has not been published, though. **Some progress** was made in increasing the cost-effectiveness of the healthcare sector. Reforms to increase the efficiency and monitoring of healthcare expenditure continue, since 2012, in addition to public administration reforms that contributed further to rationalise the sector and to improve its efficiency. **Some progress** was achieved as regards comprehensive tax reform to make the tax system simpler and more conducive to growth and job creation. The tax reform was adopted on 20/11/2014, covering personal income taxation and corporate income taxation, to be implemented from January 2015 onwards.

		secondary legislation to set out the details of periodic and non-periodic indexation, although its principles have already come into effect on public sector contracts, with the 2014 budget law **Fully addressed** – The sustainability factor for the pension system was regulated in 2013 and indexation of pensions was reviewed.		**Some progress** was also made as far as the fight against tax evasion is concerned, but there was no progress in the area of environmental taxation.
	2. Conduct a systematic **review of the tax** system by March 2014. Consider further limiting tax expenditure in direct taxation, explore the scope to further limit the application of the reduced VAT rates and take additional steps in environmental taxation, notably as regards excise duties and fuel taxes. Take further measures to address the debt bias in corporate taxation. Intensify the fight against the shadow economy and undeclared work,	**Some Progress:** **Some progress** – The government appointed an expert committee in July 2013. On 13 March 2014, it delivered its report, which focuses on simplifying the tax system and increasing its efficiency. **Some progress** – The reform proposal has not yet been adopted by the government. The plan to combat fraud and undeclared work is being implemented, but this work will end in 2014.		
	3. Implement the **financial sector programme** for the recapitalisation of the financial institutions, including the measures promoting non-bank intermediation adopted in November 2012.	**Full Progress:** Spain has **fully addressed** CSR 3 of the Council Recommendation.	**2. Complete the reform of the saving banks sector**, as regards the adoption of secondary legislation and complete the restructuring of state-owned savings banks in order to accelerate their full recovery and facilitate their return to private ownership. Promote banks' efforts to sustain strong capital ratios, monitor the asset management company Sareb's activity in order to ensure timely asset disposal while minimising the cost to the taxpayer.	**Some Progress:** **Some progress** was made as regards the reform of the savings bank sector. A new solvency law approved on 4/06/2014, and discussion on the first draft of the act implementing the savings banks law started in October 2014. **Substantial progress** was made in promoting bank efforts to sustain

			Complete the ongoing measures to widen SMEs access to finance, in particular by finalising the ongoing measures to improve non-bank financial intermediation. Remove remaining bottlenecks in the corporate insolvency framework, in particular by enhancing the expertise of insolvency administrators and the capacity of the judicial system to handle insolvency cases, and develop a permanent framework for personal insolvency, paying due attention to balanced creditor/borrower rights and financial stability considerations.	strong capital ratios. **<u>Some progress</u>** is recorded in monitoring the activity of the asset management company Sareb. Sareb continues divesting its assets at a moderate pace, concentrated in key areas, such as Barcelona, Madrid, Malaga and Alicante. A draft law on a new system for the restructuring and resolution of credit institutions was adopted by the government on 28/11/2014. **<u>Substantial progress</u>** was made in completing the ongoing measures to widen SMEs access to finance. The plan for growth, competitiveness and efficiency, (including measures to boost credit lines of Spain's development bank, ICO, in 2014 and to improve SME access to finance by strengthening bank guarantees managed by ICO) was adopted on 6/06/2014. The Royal Decree that sets out the regulation of the so called internationalisation bonds was adopted on 4/07/2014. Furthermore, the government adopted a draft law on promoting corporate financing on 3/10/2014. **<u>Some progress</u>** was made in removing the remaining bottlenecks in the corporate insolvency framework. Royal Decree-Law 11/2014 on urgent measures in the area of insolvency was adopted on 5/09/2014 (a special

				working group will monitor its implementation and will issue annual reports). On 30/09/2014, Law 17/2014 was adopted revising pre-insolvency proceedings and enhancing the system of insolvency administrators.
	4. Finalise the evaluation of the 2012 **labour market reform** covering the full range of its objectives and measures by July 2013, and present amendments, if necessary, by September 2013. Adopt the 2013 national Employment Plan by July 2013 and enact swiftly a result-oriented reform of active labour market policies, including by strengthening the targeting and efficiency of guidance. Reinforce and modernise **public employment services** to ensure effective individualised assistance to the unemployed according to their profiles and training needs. Reinforce the effectiveness of re-skilling training programmes for older and low-skilled workers. Fully operationalize the **Single Job Portal** and speed up the implementation of public-private cooperation in placement services to ensure its effective application already in 2013.	**Some Progress:** **Some progress** – The government published its evaluation of the labour reform in August 2013, and a separate assessment from the OECD, commissioned by the government to complement its own evaluation, was published in December 2013. These evaluations have so far not been followed by announcements of significant amendments to labour market legislation. **Some progress** – As part of the reform of active labour market policies, the annual employment plan was published in August 2013. Evaluation of this plan, the 2014-16 activation strategy and a new 2014 annual employment plan are being prepared **Limited progress** – Work is underway to improve the cooperation between public and private employment agencies. Apart from the mutual learning programme among regional PES, recently put in place, no further measures were adopted to strengthen public employment	**3**. Pursue new measures to **reduce labour market segmentation** to favour sustainable, quality jobs, for instance through reducing the number of contract types and ensuring a balanced access to severance rights. Continue regular monitoring of the **labour market reforms**. Promote real wage developments consistent with the objective of creating jobs. Strengthen the job-search requirement in unemployment benefits. Enhance the effectiveness and targeting of active labour market policies, including hiring subsidies, particularly for those facing more difficulties in accessing employment. Reinforce the coordination between labour market and education and training policies. Accelerate the **modernisation of public employment services** to ensure effective personalised counselling, adequate training and job-matching, with special focus on the long-term unemployed. Ensure the effective application of public-private cooperation in placement services before the end of 2014, and monitor the quality of services provided. Ensure the effective functioning of the **Single Job Portal** and combine it with	**Some Progress:** **Limited progress** pursuing new measures to reduce labour market segmentation to favour sustainable, quality jobs. On 25/02/2014, the Government introduced a temporary reduced form of employer contribution to social security for net indefinite employment, and extended it on 26/12/2014 until 31/03/2015 (Royal Decree-Law 17/2014). No other relevant measures have been taken. **Some progress** was made in continued regular monitoring of the labour market reforms. **Some progress** is recorded promoting real wage developments consistent with the objective of creating jobs. At the cut-off date for this document, the new multi-annual agreement on employment and collective bargaining for 2015, 2016 and 2017 was not yet adopted by the social partners. **Some progress** was made strengthening the job-search requirement for unemployment benefits. The 2014-2016 Activation Strategy adopted on 5/09/2014

		services. **Limited progress** – Limited progress, despite updating the catalogue of professional certificates. **Limited progress** – Work on the single job portal is on-going, but it has not been completed. Work on improving the cooperation between public and private employment agencies is also on-going, but it needs to be fully and effectively implemented.	further measures to support labour mobility.	intends, among other things, to improve the links between active and passive labour market policies by enhancing the activation requirement of unemployed receiving an unemployment benefit or subsidy. **Some progress** was made in enhancing the effectiveness and targeting of active labour market policies. A new temporary programme of activation and support for the long-term unemployed was adopted on 19/12/2014 (Royal Decree-Law 16/2014). **Limited progress** in reinforcing the coordination between labour market and education and training policies. The new basic vocational education and training is being implemented, and the government is currently working on broadening the dual vocational training framework. **Limited progress** is recorded in accelerating the modernisation of public employment services. The 2014-2016 Activation Strategy adopted on 5/09/2014 envisages common set of services to be provided to all unemployed by the Public Employment Service, which was set by Royal Decree adopted on 16 January. **Some progress** is recorded in ensuring the effective application of

				public-private cooperation in placement services. The framework agreement with private agencies was formalised at the end of 2014. Bilateral agreements are now to be signed by regional and national public employment services with employment agencies. The agreement between the national Public Employment Service and private agencies related to the beneficiaries of the PREPARA programme was signed at the end of 2014, but the process is likely to be delayed due to a recent administrative court judgement. **<u>Substantial progress</u>** was made ensuring the effective functioning of the Single Job Portal. This is operational since 17/07/2014 (www.empleate.gob.es). However, a continuous update of vacancies is not effective in all regions yet.
	5. Implement and monitor closely the effectiveness of the measures to **fight youth unemployment** set out in the Youth Entrepreneurship and Employment Strategy 2013-2016, for example through a Youth Guarantee. Continue with efforts to increase the **labour market relevance of education** and training, to reduce early school leaving and to enhance life-long learning, namely by expanding the application of dual vocational training beyond the current pilot phase and by introducing a	**Some Progress:** **<u>Some progress</u>** – There has been progress implementing the 2013-16 youth employment and entrepreneurship strategy. The first evaluation is expected in summer 2014. The draft national Youth Guarantee implementation plan was submitted to the Commission in December 2013. **<u>Some progress</u>** – Spain has begun a reform of its vocational education and	**4. Implement the 2013-2016 Youth Entrepreneurship and Employment Strategy** and evaluate its effectiveness. Provide good quality offers of employment, apprenticeships and traineeships for young people and improve the outreach to non-registered unemployed young people, in line with the objectives of a youth guarantee. Effectively **implement the new educational schemes** to increase the quality of primary and secondary education. Enhance guidance and support for groups at risk of early	**Some Progress:** **<u>Some progress</u>** was made in implementing the 2013-2016 Youth Entrepreneurship and Employment Strategy and evaluating its effectiveness. Most of strategy's short-term measures are already implemented; however many of the medium and long- term measures and the first evaluation, are still pending. Some progress was achieved in setting the national legal framework for delivery of the Youth Guarantee.

	comprehensive monitoring system of pupils' performance by the end of 2013.	training system, to better adapt young people's skills to labour market needs and to make vocational education and training more attractive. National authorities are planning to complete the legislative framework after evaluating the first pilot cycle at the end of 2014/15. The organic draft law on the quality of education, which is expected to have a significant impact on reducing early school leaving and improving the quality of education, was adopted in November 2013. It will come into force in stages, over the 2014/15 and 2016/17 academic years. It is therefore too early to assess its effectiveness. Spain is also working on designing its lifelong learning plan.	school leaving. Increase the labour-market relevance of vocational education and training and of higher education, in particular by enhancing the cooperation with employers and supporting the training of trainers and tutors.	**Limited progress** was made in providing good quality offers of employment, apprenticeships and traineeships for young people and improving the outreach to non-registered unemployed young people, in line with the objectives of a youth guarantee. **Some progress** was done implementing the new educational schemes to increase the quality of primary and secondary education. The Law on Quality of Education (LOMCE) is gradually being implemented, starting from the 2014/2015 school year, including the new basic course for vocational education and training (designed also as a measure to address early school-leaving), and the new evaluation of pupil performance. **Limited progress** is recorded in enhancing guidance and support for groups at risk of early school-leaving. Limited progress was done in increasing the labour-market relevance of vocational education and training and of higher education. A specific committee has been set up in the labour market sectorial conference, which will examine, among other things, the relevance of education and training curricula to labour market needs. However, the efforts to enhance cooperation of higher education institutions with employers are lagging

				behind. There are plans for an extension of the dual vocational training in 2015, but there are still substantial divergences in the implementation across the regions.
	6. Adopt and implement the necessary measures to reduce the number of people **at risk of poverty and/or social exclusion** by reinforcing active labour market policies to improve employability of people further away from the labour market and by improving the targeting and increasing efficiency and effectiveness of support measures including quality family support services.	**Some Progress:** **Some progress** – The 2013-16 national action plan on social inclusion was adopted in December 2013; its implementation will need to be closely monitored. The 2013 annual employment plan also contains some measures to improve the employability of the most disadvantaged. Other relevant measures include the continuation of the PREPARA programme, a programme for professional requalification. **Limited progress** – Limited progress has been made on measures to tackle child poverty and improve the efficiency of family support services. The approval of the second strategic plan for childhood and adolescence (PENIA II) in April 2013 and of the 2013-16 national action plan on social inclusion in December 2013 send a positive signal, although these have yet to be implemented. They will need to be complemented by other plans, such as the comprehensive family support strategy (PIAF) which should provide a framework for social, legal and economic support and protection for large families, single parents and	**5. Implement the 2013-2016 National Action Plan on Social Inclusion** and assess its effectiveness covering the full range of its objectives. Strengthen administrative capacity and coordination between employment and social services in order to provide integrated pathways to support those at risk, and boost, among the Public Administrations responsible for the minimum income schemes, streamlined procedures to support transitions between minimum income schemes and the labour market. Improve the targeting of family support schemes and quality services favouring low-income households with children, to ensure the progressivity and effectiveness of social transfers.	**Limited Progress:** **Limited progress** was done in implementing the 2013-2016 National Action Plan on Social Inclusion. **Limited progress** was achieved in strengthening administrative capacity and coordination between employment and social services. The July 2014 agreement signed by the government and social partners includes specific measures to assess, together with the regions, the various income schemes in Spain, in terms of coverage and link to employability. (See CSR 3 as regards the new temporary programme of support and activation for the long-term unemployed). **Limited progress** is recorded in improving the targeting of family support schemes and quality services favouring low-income households with children, to ensure the progressiveness and effectiveness of social transfers. The Action Plan on the Spanish Strategy on Disability, Action Plan on Equality in the Information Society and Youth Strategy 2020 were adopted on 12/09/2014. The Integrated Family

		families with special needs.		Support Plan (PIAF) is still under negotiation. A special allocation of EU 17 million was included in the 2014 national budget to tackle severe material deprivation of families with dependent children, including Roma. The allocation was increased to EU 32 million in the 2015 budget.
	7. Urgently adopt and implement the draft **Law on Market Unity** and speed up all complementary actions needed for its swift implementation. Ensure the effectiveness, autonomy and independence of the newly created regulatory authority. By the end of 2013, adopt and implement the Law on professional associations and services, so as to remove any unjustified restriction to the access and exercise of professional activities, and the Law on Entrepreneurship. Regroup and concentrate support schemes for the internationalisation of firms. Reduce the number and shorten **licensing procedures**, including for industrial activities, and spread the use of the "express licence" approach to activities other than retail. Review **insolvency frameworks** for companies and individuals, including through limiting personal liability of entrepreneurs and easing second chances for failed businesses. Remove **unjustifiable restrictions** to the establishment of large-scale retail premises. By March 2014, review the effectiveness of the regulatory	**Some Progress:** **Substantial progress** – The law on the guarantee of market unity was adopted in December 2013. Its implementation (including changes to sector specific legislation) is underway, and will continue throughout 2014. Swift and full implementation remains key. **Substantial progress** – Law 3/2013 of 4 June creates Spain's Commission for Markets and Competition, by merging Spain's Competition Commission with the supervisory and regulatory authorities for energy, telecommunications, postal services, audio-visual industries, railway and air transport. The statutes of the new Commission for Markets and Competition were adopted on 30 August 2013, while its internal operating regulations were adopted on 4 October 2013. **Limited progress** – The adoption of the reform of professional services continues to be delayed.	**6. Ensure an ambitious and swift implementation of Law No 20/2013 on Market Unity** at all levels of administration. Adopt an ambitious reform of professional services and of professional associations by the end of 2014, defining the professions requiring registration in a professional organisation, and the transparency and accountability of professional bodies, opening up unjustifiably reserved activities and safeguarding market unity in the access to and exercise of professional services in Spain. Further **reduce the time, cost and number of procedures** required for setting up an operating business. **Address unjustified restrictions** to the establishment of large-scale retail premises, in particular through a revision of existing regional planning regulations. Identify sources of financing for the new national strategy for science, technology and innovation and **make operational the new State Research Agency.**	**Some Progress:** **Some progress** is achieved on the implementation of Law No 20/2013 on Market Unity, which is lagging behind, mostly due to delays at sub-central government level. **No progress** has been done as regards the adoption of the reform of professional services and professional associations. **Some progress** has been done in further reducing the time, cost and number of procedures required for setting up an operating business. Implementation of Law 14/2013 on entrepreneurship continues, although the law on environmental assessment, adopted in December 2013, is not yet being fully implemented by various regions. Despite progress, the most recent indicators measuring ease to start-up a business show that it is more cumbersome to start-up a business in Spain than in other European countries sharing similar legal systems.

	framework to support the development of the housing rental market.	**Substantial progress** – Law 14/2013 to support entrepreneurs and their internationalisation received parliamentary approval on 27 September 2013. **Substantial progress** – Law 21/2013 of 9 December on environmental evaluation is expected to ease the licensing of industrial activities by speeding up environmental licensing procedures. The express licensing process was extended, by Law 20/2013 on market unity, to cover selected economic activities (including some manufacturing activities) which are carried out in permanent establishments that have a functional display and public sale area which does not exceed 750 m². **Some progress** – The law on entrepreneurship was adopted in autumn 2013 and brought improvements to the framework for corporate insolvency. The Royal Decree Law 4/2014 of 7 March facilitates refinancing agreements to accelerate the deleveraging process. **Limited progress** – No regulatory measures have been taken to remove restrictions on setting up large-scale retail premises. The government plans to discuss regulatory barriers to this at the sectoral conferences.		**Substantial progress** is recorded in addressing unjustified restrictions to the establishment of large-scale retail premises, following the adoption on 4/07/2014 of Royal Decree-Law 8/2014, which facilitates licensing procedures for the establishment, sale and expansion of retail outlets. Smooth implementation at sub-central government level of this reform is however needed for the amendments to deliver the expected results. **Limited progress** is achieved in identifying sources of financing for the new national strategy for science, technology and innovation. The Royal Decree 475/2014, adopted on 13/06/14, allows businesses to deduct 40 % from their social security contributions if they employ full time workers to carry out R&D and innovation activities. The 2015 national budget increases public spending on research and innovation by 4.8 %. However, this is partly due to a high rise in military research and innovation spending. Moreover, a substantial part of the increase is earmarked to reimburse multiannual research and innovation project grants committed in previous exercises. In practice, this leaves only a small portion of the public research and innovation budget increase to support the national strategy for science, technology and innovation.

		Substantial progress – In June 2013 the Spanish Parliament adopted the law on promoting the rental housing market.		**No progress** has been done in setting up a new State Research Agency.
	8. Tackle the **electricity tariff** deficit by adopting and implementing a structural reform of the electricity sector by the end of 2013. Intensify efforts to complete the electricity and gas interconnections with neighbouring countries. Reduce the contingent liability for public finances stemming from unprofitable transport infrastructure. Set up an independent observatory to inform the assessment of future major **infrastructure projects**. Take measures to ensure effective competition in freight and passenger rail services.	**Some Progress:** **Some progress** – Despite the Royal Decree-Law 9/2013 on urgent measures to guarantee the financial stability of the electricity system, adopted in July 2013, and the Law 24/2013 on the electricity sector, adopted in December, a significant electricity tariff deficit was registered in 2013. Gas and electricity interconnections with France and Portugal have been expanded, but still fall short of the target. **Some progress** – The government is studying ways to minimise negative spillovers from insolvent toll motorways on public finances. There was no progress on an independent transport monitoring body. Some measures to promote competition in railway freight have been adopted or are in the pipeline, and preparations have been made to liberalise passenger railway services.	**7.** Following the reform of 2013, **ensure the effective elimination of deficit in the electricity system as of 2014**, including by taking further structural measures if needed. Address the problem of insolvent toll motorways so as to minimise costs for the State. Set up an independent body to contribute to the assessment of future major infrastructure projects by the end of 2014. Take measures to ensure effective competition in freight and passenger rail services.	**Some Progress:** **Some progress** was achieved in ensuring the effective elimination of deficit in the electricity system as of 2014. On 06/06/2014, the government adopted a new remuneration system for existing and new renewable power plants, affecting revenues for already operating plants. On 4/07/2014, the Council of Ministers adopted Royal Decree-Law 8/2014 to tackle the increasing gas tariff deficit. On 12/12/2014, the government approved Royal Decree 1054/2014, to finance the 2013 tariff deficit by the five major electric utilities, estimated at EUR 3 540 million, and to address the 'cyclical imbalances' for future years. **Some progress** was achieved in addressing the problem of insolvent toll motorways so as to minimise costs for the state. In March 2014, the authorities proposed to set up a public company taking over the motorways and presented a restructuring plan to creditors. On 17/10/2014, the authorities initiated the insolvency procedure by presenting an official proposal to bail out the motorways, requiring the negotiating parties to

				reach an agreement, which should subsequently be approved in court. **Limited progress** is recorded in setting up an independent body to contribute to the assessment of future major infrastructure projects. On 30/06/2014, a Ministerial Order was adopted to set up an advisory council on infrastructure projects. **Some progress** was made in taking measures to ensure effective competition in freight and passenger rail services. On 4/07/2014, the Council of Ministers adopted Royal Decree-Law 8/2014, creating a fund to improve land accessibility of seaports. On 13/06/2014, the Council of Ministers announced that a licence (to be operational in 2015) will be provided to compete with the incumbent Renfe on the rail network between Madrid, Valencia, Alicante, Murcia, and Castellón. After seven years under this licence, the corridor will be fully-opened to competition.
	9. Adopt in line with the presented timetable the **reform of the local administration** and define by October 2013 a plan to enhance the efficiency of the overall **public administration**. Adopt and implement the on-going reforms to enhance the **efficiency of the judicial system.**	**Some Progress:** **Substantial progress** – The reform of local public administration has been passed. Implementation of the expert committee's recommendations on public administration reform is on-going and will continue throughout 2014/15.	**8.** Implement at all government levels the recommendations of the committee for **the reform of the public administration.** Strengthen control mechanisms and increase the transparency of administrative decisions, in particular at regional and local levels. Complete and monitor closely the ongoing measures to **fight against the shadow economy and**	**Some Progress:** **Some progress** is achieved in implementing at all government levels the recommendations of the committee for the reform of public administration. As at end-December 2014, 129 of 222 public administration reform measures had already been implemented (58.1 % of the total

		Some progress – Spain is carrying out legislative reforms relating to different aspects of the functioning of the judicial system. These reforms are at different stages of completion. The most recent indicators on the efficiency of the justice systems show that length of proceedings and the rate of resolving cases have improved for first instance civil, commercial and administrative cases. Progress is still much needed in implementing measures aiming to improve the use of ICT tools.	**undeclared work**. Adopt pending reforms on the structure of the judiciary and on the judicial map and ensure implementation of adopted reforms.	number of measures) while 61 others were at an advanced stage of implementation. **Some progress** in strengthening transparency of administrative decisions. The provisions on transparency and public access to information became effective in December 2014 at central government level; they will enter into force in December 2015 at sub-central government level. The following draft laws were in parliament at the time of writing: a draft organic law on the control of political parties' economic and financial activities, a draft law on the exercise of duties of senior officials in Spain's central administration and amendments to the Penal Code to criminalise illegal party funding and extend the statute of limitations for corruption-related crimes. **No progress** was recorded in strengthening control mechanisms in particular at regional and local levels. There have been no initiatives to enhance these powers in the public procurement and urban planning areas. **Some progress** was done in completing and monitoring closely the ongoing measures to fight against the hidden economy and undeclared work. **Limited progress** was achieved as

				regards the adoption of pending judicial reforms: a first draft of a law on the structure of the judiciary was approved by the government on 14/04/2014; the draft is being reviewed in the first quarter of 2015 to limit its scope. Draft bills on legal aid and on voluntary jurisdiction were submitted to parliament on 21/02/2014 and on 1/08/2014, respectively. **Some progress** was achieved in implementing adopted reforms –i.e., the so-called *Oficina Judicial* and improving interoperability between regions' electronic case management systems.

FR	[Country Specific Recommendations 2013](#) **SGP: CSR 1 and MIP: CSR 1, 2, 3, 4, 5, 6**	[Assessment of implementation of CSR 2013](#) **(based on COM staff documents)**	[Country Specific Recommendations 2014](#) **SGP: CSR 1 and MIP: CSR 1, 2, 3, 4, 5, 6**	[Assessment of implementation of CSR 2014](#) **(based on COM staff documents)**
	1. Reinforce and pursue the budgetary strategy in 2013. Enhance the credibility of the adjustment by specifying by autumn 2013 and implementing the necessary measures for the year 2014 and beyond to ensure a **correction of the excessive deficit in a sustainable manner** by 2015 at the latest and the achievement of the structural adjustment effort specified in the Council recommendations under the EDP. Use all windfall gains for deficit reduction. A durable correction of the fiscal imbalances requires a credible implementation of ambitious structural reforms to increase the adjustment capacity and boost growth and employment. Maintain a growth-friendly fiscal consolidation course and further increase the efficiency of public expenditure, in particular by proceeding as planned with a review of spending categories across all sub-sectors of general government. Take action through the forthcoming decentralisation law to achieve **better synergies and savings between central and local government levels**. After the correction of the excessive deficit, pursue the structural adjustment effort at an adequate pace	**Some Progress:** **<u>Some progress</u>** – The government has initiated a process of fiscal consolidation. While the 2013 efforts mostly relied on increasing revenue, the government is expected to focus on expenditure cuts in 2014 (amounting to EUR 15 billion according to official estimates). The government continued to freeze public sector wages in 2014, and it reduced ministries' other operating expenses by 2 % and transfers to local authorities by EUR 1.5 billion. The healthcare expenditure norm (ONDAM) has been set at 2.4 %. The recently created High Council for Public Finances has considered that the growth forecast underpinning the 2014 budget was plausible but that the planned structural deficit reduction was optimistic. More recently, in its annual report published in February 2014, the Court of Auditors indicated that a EUR 4 to 6 billion risk to tax receipts was looming for 2014 and emphasised the lack of room for manoeuvre in the event of unforeseen expenditure. **<u>Limited progress</u>** – The government has initiated a review of all public	**1.** Reinforce the budgetary strategy, including by further specifying the underlying measures, for the year 2014 and beyond to **ensure the correction of the excessive deficit in a sustainable manner** by 2015 through achieving the structural adjustment effort specified in the Council recommendation under the Excessive Deficit Procedure. A durable correction of the fiscal imbalances requires a credible implementation of ambitious structural reforms to increase the adjustment capacity and boost growth and employment. After the correction of the excessive deficit, pursue a structural adjustment towards the medium-term objective of at least 0,5 % of GDP each year, and more in good economic conditions or if needed to ensure that the debt rule is met in order to put the high general government debt ratio on a sustained downward path. Step up efforts to achieve **efficiency gains across all sub-sectors of general government**, including by redefining, where relevant, the scope of government action. In particular, take steps to reduce significantly the increase in social security spending as from 2015	**Limited progress** (this overall assessment of CSR 1 excludes an assessment of compliance with the Stability and Growth Pact): **<u>Limited progress</u>** has been made in achieving efficiency gains. The inter-ministerial committee for the Modernisation de l'Action Publique (MAP) was last convened in December 2013. In 2015, savings in the government's operational expenditure of EUR 2.1 billion are planned, compared to current expenditure trends. In addition, the programming law for public finances provides for a yearly spending review involving all public administrations, with the results systematically communicated to parliament and used as inputs into the draft budget. **<u>Some progress</u>** has been made in significantly reducing social security spending. Savings in healthcare expenditure are expected to total EUR 3.2 billion in 2015. The government also plans to make savings in social benefits, including pensions, of above EUR 10 billion between 2015 and 2017.

	so as to **reach the MTO by 2016**. Take measures by the end of 2013 to bring the **pension system into balance in a sustainable manner** no later than 2020, for example by adapting indexation rules, by increasing the full-pension contribution period, by further increasing the effective retirement age by aligning retirement age or pension benefits to changes in life expectancy and by reviewing special schemes, while avoiding an increase in employers' social contributions, and increase the **cost-effectiveness of healthcare expenditure**, including in the areas of pharmaceutical spending.	spending categories (the modernisation de l'action publique). However, the overall amount of savings to be achieved in 2014 (close to EUR 3 billion) is far below what is needed, as public spending increases by EUR 15 to 20 billion above inflation each year. The first of a series of laws on decentralisation has been adopted. A second law is expected by the end of 2014. However, the chance that this package will result in a significant streamlining of local government and in efficiency gains is small. The stability programme outlines a numbers of structural reforms (reducing the number of régions, enhancing intermunicipal cooperation, restricting the powers of or abolishing the départements). Although the planned timetable has since been brought forward the measures will take effect only in the medium term and they are subject to significant implementation risks. **<u>Some progress</u>** – Pension reform measures adopted in 2013 include an increase in the required contribution period, from 2020, and an increase in social security contributions by 0.6 pp to be in place by 2017. Limited progress has been made in increasing the cost-effectiveness of the healthcare system.	as planned, by setting more ambitious annual healthcare spending targets, containing pension costs, and streamlining family benefits and housing allowances. **Set a clear timetable for the ongoing decentralisation** process and take first steps by December 2014, with a view to eliminating administrative duplication, facilitating mergers between local governments and clarifying the responsibilities of each layer of local government. Reinforce incentives to streamline local government expenditure, by capping the annual increase in local government tax revenue while reducing grants from the central government as planned. Beyond the need for short-term savings, take steps to **tackle the increase in public expenditure on health projected over the medium and long term,** including in the area of pharmaceutical spending, and take additional measures when and where needed **to bring the pension system into balance by 2020** in a sustainable manner covering all schemes, with a special focus on existing special schemes and complementary schemes.	**<u>Some progress</u>** has been made on the reform of local administration. Metropolitan areas have been introduced and the number of regions will be reduced. A further draft law streamlining the responsibilities of the various layers of local government is being discussed in parliament. An expenditure norm for local authorities has been introduced, but it is only indicative. **<u>Limited progress</u>** has been made, however, on addressing medium- and long-term increases in healthcare expenditure. The law on financing social security includes measures to curb the cost of pharmaceuticals through a managed entry agreement. A draft law on public health is to be discussed in parliament in early January. It proposes the development of the clinical pathway concept and a shift in the balance of the system from hospitals to ambulatory care with a view to increasing efficiency, while guidelines to reinforce prevention could also achieve cost-effectiveness in the longer term. **<u>No progress</u>** has been made on the pension system. The latest projections by the pensions monitoring committee show a deficit of EUR 1.4 billion in 2018 for the basic pension schemes. No new agreement on complementary pension schemes has been signed.

	2. Ensure that the **reduction in the labour cost** resulting from the 'credit d'impôt compétitivité et emploi' yields the planned amount and that no other measure will offset its effect. Take further action to lower the cost of labour, in particular through further measures to reduce employers' social-security contributions, in association with social partners. Ensure that **developments in the minimum wage are supportive of competitiveness and job creatio**n, taking into account the existence of wage support schemes and social contribution exemptions.	**Some Progress:** **<u>Some progress</u>** – Thanks to the CICE tax credit, the cost of labour should decrease by 6 % from 2014 for workers paid less than 2.5 times the minimum wage. This measure bridges half of the gap between the proportion of an individual's total wage paid as tax for the average wage in France and in the OECD. The government estimates that this measure could create up to 300 000 jobs by 2017. **<u>Some progress</u>** – The cost of labour will be further reduced as part of the responsibility and solidarity pact, through an additional reduction in employer social security contributions. The total amount of the reduction is EUR 10 billion (on top of the EUR 20 billion from the CICE tax credit). In particular, EUR 4.5 billion will be spent on low wages (between 1 and 1.6 times the minimum wage) and another EUR 4.5 billion on medium wages (between 1.6 and 3.5 the minimum wage). **<u>Some progress</u>** – In 2013 and 2014, the government did not increase the minimum wage beyond the minimum level set in the law (inflation and half of the purchasing power of the hourly wages of workers and employees (SHBOE)).	**2.** Ensure that **the labour cost reduction** resulting from the "crédit d'impôt compétitivité emploi" is sustained. Take action to further **lower employer social security contributions** in line with commitments under the responsibility and solidarity pact, making sure that no other measures offset its effect and that the targeting currently envisaged is maintained. Further evaluate the economic impact of social security contribution exemptions, putting the emphasis on employment, wage developments and competitiveness and take appropriate measures if necessary. Further **reduce the cost of labour** in a budget neutral way, namely at the lower end of the wage scale in particular through targeted reductions in employer social security contributions taking into account the various wage support schemes.	**Some progress:** **<u>Substantial progress</u>** has been made on the implementation of the tax credit for competitiveness and employment and the responsibility and solidarity pact and no measures have been adopted that would counteract its effects. Nonetheless, some of this progress could be eroded by rising wages. **<u>Some progress</u>** has been made on assessing the economic impact of social security exemptions with the second monitoring committee report on the tax credit for competitiveness and employment. **<u>Limited progress</u>** has been made in reducing the cost of labour at the lower end of the wage scale. No targeted reduction in the cost of labour for specific groups of workers (e.g. youth, long-term unemployed, older unemployed workers) has been announced. The government announced and began a merger of the two wage support schemes for low-wage earners (without an effect on the cost of labour or the budget).

	3. Take further measures to **improve the business environment** and develop the innovation and export capacity of firms, in particular SMEs and enterprises of intermediate size. In particular, launch the announced **simplification initiative of the regulatory framework**, and improve the framework conditions for innovation, by enhancing technology transfer and the commercial exploitation of research, including through a reorientation of the competitiveness poles.	**Some Progress:** **<u>Limited progress</u>** – A law adopted on 2 January 2014 allows the government to take actions by decree to simplify and make the business environment more secure for companies. **<u>Some progress</u>** – The measures already adopted to simplify accounting and fiscal statements of SMEs (law of 30 January 2014), the increased validity period for identity cards and the creation of a unique identifying number for companies are positive, though limited steps. The government has committed itself to taking 10 additional measures every month, starting from May. **<u>Some progress</u>** – A number of policy measures have been announced to increase and facilitate innovation, including: 1) a second tranche of the 'Investment plan for the future'; 2) a new innovation tax credit for SMEs (EUR 160 million expected in 2014); 3) a plan to encourage knowledge transfer from public sector research; 4) new financial products from the Public Investment Bank, tailored to the perceived needs of innovative companies; 5) a five-year tax depreciation for acquisition of minority business	**3. Simplify companies' administrative, fiscal and accounting rules** and take concrete measures to implement the Government's ongoing "simplification plan" by December 2014**. Eliminate regulatory impediments to companies' growth,** in particular by reviewing size-related criteria in regulations to avoid thresholds effects. **Take steps to simplify and improve the efficiency of innovation policy,** in particular through evaluations taking into account latest reforms and if necessary an adaptation of the "crédit d'impôt recherche". Ensure that resources are focused on the most effective competitiveness poles and further promote the economic impact of innovation developed in the poles.	**Limited progress:** **<u>Some progress</u>** has been made on the simplification plan, with a range of measures being proposed, e.g. in the draft law on economic activity, adopted and implemented. However, the overall complexity of the system remains high and progress may be counteracted by new regulations being passed or entering in to force, as the 'SME test' is not yet systematically used and the independent authority in charge of monitoring the principle of zero additional charge has not yet been created. **<u>No progress</u>** has been made in reviewing size-related criteria in regulations. Failing an agreement between social partners on improving social dialogue, the government will adopt a law on improving social dialogue, including points that could make up for size-related thresholds, in the second quarter of 2015. **<u>Limited progress</u>** has been made in simplifying and improving the efficiency of innovation policy. A monitoring report on the implementation of the 'crédit d'impôt recherche' (CIR) in 2012 and a report on the evolution and impact of the CIR between 1983 and 2011 have recently been published and a new National Commission for the Evaluation of Innovation Policies has

		participation in innovative companies; 6) the French Tech programme, aiming to accelerate the growth of digital start-ups and boost digital ecosystems; and 7) 34 industrial plans, led by industry managers.		been set up. **<u>Limited progress</u>** has been made in focusing resources on the most effective pôles de compétitivité and promoting their impact. The third phase has a stronger focus on impact and support from the State budget has been reduced in order to focus resources on the most successful pôles.
	4. Take action to **enhance competition** in services; **remove unjustified restrictions** in the access to and exercise of professional services, notably regarding legal form, shareholding structure, quotas and territorial restrictions; take action to simplify authorisation for the opening of trade outlets and to remove the ban of sales at a loss; remove regulated gas and electricity tariffs for non-household customers and strengthen interconnection capacity with neighbouring countries; in the railway sector, open domestic passenger transport to competition.	**Limited Progress:** **<u>Limited progress</u>** – The only action undertaken relates to ending the limitation on the number of salaried public notaries, the monopoly for pharmacists on some specific products such as pregnancy tests and the restrictions on optical products. The government expects that the recently introduced law on consumption, which allows for class actions in French law, liberalises a number of sectors (notably opticians) and facilitates contract termination in the insurance sector, could also strengthen competition. Positive changes are underway, such as abolishing the ban on commercial communications for lawyers and the legal forms and shareholding requirements for accountants, which still need to be implemented by delegated acts. Discussions are on-going regarding the regulation setting a minimum length of time required for tourism	**4. Remove unjustified restrictions** on the access to and exercise of regulated professions and reduce entry costs and **promote competition** in services. Take further action to reduce the regulatory burden affecting the functioning of the retail sector, in particular by simplifying authorisations for the opening of trade outlets and removing the ban on sales at a loss. While maintaining affordable conditions for vulnerable groups, ensure that regulated gas and electricity tariffs for household customers are set at an appropriate level which does not represent an obstacle to competition. **Strengthen electricity and gas interconnection capacity with Spain;** in particular, increase the gas interconnections capacity to fully integrate the Iberian gas market with the European market. In the railway sector, ensure the independence of the new unified infrastructure manager from the incumbent operator and take steps to	**Some Progress:** **<u>Some progress</u>** is beginning to be made on regulated professions, particularly pharmacies and opticians. With regard to certain legal professions, the draft law on economic activity proposes to reform the establishment regulations and tariff governance framework, but the detailed rules that determine the ambition of the proposed reforms depend on the implementing decrees. Further efforts are necessary to remove unjustified restrictions fully and for all professions. **<u>Some progress</u>** has been made in promoting competition in services. In addition to the proposals on regulated professions and the retail market, the draft law on economic activity contains proposals to promote competition such, as the liberalisation of coach transportation and better regulation of the tolls on motorway

		vehicles with a driver to serve their client, following its suspension by the Conseil d'Etat. **<u>Limited progress</u>** – Reforms are currently being considered to simplify the establishment of retail outlets. However, no concrete measures in this respect have so far been adopted. The ban on sales at a loss has not been removed. **<u>Some progress</u>** – Regulated tariffs for electricity and gas will be phased out by the end of 2015 for non-household customers. On-going interconnection projects in gas and electricity will allow more competition and better market integration. The on-going railway reform aims to establish a fully-fledged infrastructure manager within an industry-wide structure with a view to improving financial sustainability. The reform does not address market opening and may have a negative effect on access to the network.	open domestic passenger transport to competition in line with the provisions of, and the calendar that will be decided by, the forthcoming directives.	franchises. **<u>Some progress</u>** has been made in reducing the regulatory burden affecting the retail sector with the 'Loi relative à l'artisanat, au commerce et aux très petites entreprises' (ACTPE), aimed at simplifying the procedure for the establishment of retail outlets and the draft law on economic activity giving more powers to the Competition Authority. The ban on selling at a loss has not been removed. **<u>Some progress</u>** has been made on regulated gas and electricity tariffs for household consumers but there is still a cumulated electricity tariff deficit. **<u>Some progress</u>** has been made on interconnection capacity. Some interconnection projects are under way, a joint strategy is being developed between Spain, France and Portugal and new priority projects have been selected.
	5. Pursue efforts to **simplify the tax system and improve its efficiency**, while ensuring continuity of tax rules over time. Take additional measures to remove the debt bias in corporate taxation. Step up efforts to reduce and streamline personal and corporate income tax expenditures while reducing statutory rates; **bring reduced VAT rates closer to the standard rate and remove inefficient**	**Limited Progress:** **<u>Limited progress</u>** – Few measures were taken in 2013 to rationalise the tax system. **<u>No progress</u>** – No additional measures to limit incentives to indebtedness have been taken since limiting the deduction of net loan interests above EUR 3 million to 75 % (85 % in	**5. Reduce the tax burden on labour** and step up efforts to simplify and increase the efficiency of the tax system. To this end, starting in the 2015 budget, take measures to: **remove inefficient personal and corporate income tax expenditures** on the basis of recent assessments and the "Assises de la fiscalité" initiative while reducing the statutory rates; take additional measures to remove the	**Limited Progress:** **<u>Some progress</u>** has been made on reducing the tax burden on labour with the actions described under CSR 2. Moreover, the bottom bracket of personal income tax (5.5 %) was abolished in the budget bill for 2015; so a single person whose net earnings are below EUR 9 690 will be tax-exempt.

	reduced rates. Take further measures shifting the tax burden from labour to environmental taxation or consumption.	2013). No progress has been made either in broadening personal and corporate income tax bases and a temporary surcharge on large companies created in 2012 has instead been extended to 2015 and its rate has been more than doubled to 10.7 %. **No progress** – No progress has been made in increasing VAT efficiency. Instead, the 2014 budget introduced reduced VAT rates on energy- or social housing-related renovation works and on cinema tickets, with no review of their effectiveness **Some progress** – The cost of labour will be further reduced as part of the responsibility and solidarity pact, through an additional reduction in employer social security contributions. The government has also introduced a 'carbon tax' (the contribution climat-énergie), linking excise duties on energy products to their CO2 content. Among other measures, bonus and penalty car taxation has been strengthened and reduced rates for certain biofuels will be phased out. By contrast, VAT rates on energy- or social housing-related renovation works have been lowered and a tax on heavy goods vehicles (the éco-taxe poids lourds) has been suspended.	debt bias in corporate taxation; broaden the tax base, in particular on consumption; phase out environmentally-harmful subsidies.	**Limited progress** has been made on simplification and efficiency. The C3S for SMEs has been deleted in the 2015 budget at a cost of EUR 1 billion. On tax expenditures, there has been no progress as new fiscal measures in the 2015 budget law erode the tax base by EUR 2 billion. **No progress** has been made on removing the debt bias in corporate taxation or on broadening the tax base. **Limited progress** has been made with the introduction of an increase in excise duties (EUR 0.02/l of diesel) as a first step to phasing out environmentally harmful subsidies, and some progress is planned on the carbon tax. Remaining preferential taxation regimes for fuels, particularly diesel and especially for certain categories of users still constitute substantial environmentally harmful subsidies.

	6. Implement fully and without delay the January 2013 inter-professional agreement, in consultation with the social partners. Take further action to combat **labour-market segmentation**, in particular to address the situation of interim agency workers. Launch urgently a **reform of the unemployment benefit system** in association with the social partners and in accordance with national practices to ensure sustainability of the system while ensuring that it provides adequate incentives to return to work. Enhance the employment rate of older workers and stimulate their participation in the labour market. Take specific action to improve the employment perspective of older unemployed people in particular through specific counselling and training. **Increase adult participation in lifelong learning**, especially of the least qualified and of the unemployed. Ensure that public employment services effectively deliver individualised support to the unemployed and that **active labour market policies** effectively target the most disadvantaged. Take further measures to improve the **transition from school to work through**, for example, a Youth Guarantee and promotion of apprenticeship.	**Some Progress:** **Some progress** – The law on securing employment, which transposed the inter-professional agreement into French law, was adopted in June 2013. It facilitates moving to part-time work and reduces the risks from an employer's perspective linked to dismissal procedures. **Some progress** – In March 2014, an agreement was found among the social partners, including the MEDEF employers' federation, to reform the unemployment benefit system. The agreement introduces only moderate changes. It introduces the concept of droits rechargeables, which enables a jobseeker to retain previous accumulated rights to unemployment benefits in future periods of unemployment rather than forfeit them when taking up a job. The savings measures are expected to yield around EUR 800 million according to the national reform programme. Taking into account the costs linked to the implementation of the droits rechargeables, this will most likely be insufficient to significantly reduce the system's debt. **Limited progress** – The measure introduced by the government in March 2013 to increase the number of older workers in employment (the contrats de génération) has proved	**6.** Take further action to **combat labour-market rigidity**, in particular take measures to reform the conditions of the "accords de maintien de l'emploi" to increase their take up by companies facing difficulties. Take additional measures to reform the unemployment benefit system in association with social partners, in order to guarantee its sustainability while ensuring that it provides adequate incentives to return to work. **Ensure that older workers benefit from adequate counselling and training** and re-assess the relevant specific unemployment benefit arrangements with respect to their situation on the labour market.	**Limited Progress:** **Limited progress** has been made in combating labour-market rigidity with the proposed reform of the 'justice prudhomale' in the draft law on economic activity, with the aim of reducing uncertainty related to individual labour regulation disputes. No action has been taken to reform the conditions of the 'accords de maintien de l'emploi'. **No progress** has been made on unemployment benefit systems. The new unemployment insurance convention will be negotiated by the end of 2016. **Limited progress** has been made on older workers. The government has announced a 'Plan senior' to address unemployment among older workers and started to implement it. The 80 000 subsidised contracts to encourage employment in the private sector, included in the budget law for 2015, are also aimed at older and long-term unemployed workers. Another 80 000 public employment services counselling actions will be also aimed at older and long-term unemployed workers. The specific arrangements for unemployed workers over 50 have not been changed.

		insufficient. **<u>Some progress</u>** – A law on vocational training was adopted in March 2014. Personal training accounts aim to increase access to training for unemployed people and those with fewer qualifications. The law increases the role played by the régions. In addition, 30 000 jobseekers have been offered targeted training to help meet the needs of sectors which do not have a sufficient workforce. **<u>Substantial progress</u>** – The reform of public employment services allows for an increased emphasis on personalised follow-up and a focus on unemployed people who have been out of the labour market for the longest period of time. **<u>Some progress</u>** – The 'jobs of the future' programme has helped stabilise the number of young people registered as unemployed. The law on vocational training is expected to increase support for apprenticeships by increasing the regional coordination role and funds granted to the régions. It also aims to guarantee quality apprenticeships for those with fewer qualifications. Limited progress has been made, however, on the Youth Guarantee, with improvement needed in coverage, quality of offers and the coordination of actors in the scheme.	**7.** Pursue the **modernisation of vocational education and training**, implement the reform of compulsory education, and take further actions to reduce educational inequalities in particular by strengthening measures on early school leaving. Ensure that active labour market policies effectively support the most vulnerable groups. **Improve the transition from school to work**, in particular by stepping up measures to further develop apprenticeship with a specific emphasis on the low-skilled.	**Some Progress:** **Some progress** has been made on the modernising vocational education and training; implementation of the reform of the vocational training system started on 1 January 2015. **Some progress** has been made on the reform of compulsory education. The reform process is only about half way, as it covers 2013-17. While many measures have already been taken, it is unclear whether it will be possible to implement the entire, ambitious reform in the remaining period. It might also be difficult to reach some of the ambitious quantified objectives, which are nevertheless important drivers of implementation. **Some progress** has been made with two new plans and measures targeting educational inequalities and early school leaving. Their progressive implementation is in its initial phase. **Some progress** has been made on active labour-market policies. The 'jobs for the future' scheme was further reinforced. Experimental targeted counselling and support to young people, 'Youth Guarantee', have been introduced. The new convention organising work for the main public employment services 'Pôle emploi' for 2015-2018' set as an objective to strengthen support for

				jobseekers furthest away from the labour market, including the long-term unemployed and low-qualified, by doubling reinforced counselling measures from 230 000 in 2014 to 460 000 in 2017. **Limited progress** has been made on the transition from school to work. The government set up a national plan to relaunch apprenticeships, reestablishing an incentive for SMEs and simplifying the tax on apprenticeships. More outreach to young people not in employment, education or training, and better coordination between key players, is necessary.

IT	Country Specific Recommendations 2013 **SGP: CSR 1 and MIP: CSR 1, 2, 3, 4, 5, 6**	Assessment of implementation of CSR 2013 **(based on COM staff documents)**	Country Specific Recommendations 2014 **SGP: CSR 1 and MIP: CSR 1, 2, 3, 4, 5, 6, 7, 8**	Assessment of implementation of CSR 2014 **(based on COM staff documents)**
	1. Ensure that the **deficit remains below 3% of GDP in 2013**, by fully implementing the adopted measures. Pursue the structural adjustment at an appropriate pace and through growth-friendly fiscal consolidation so as to **achieve and maintain the MTO as from 2014**. Achieve the planned structural primary surpluses in order to put the very high debt-to-GDP ratio on a steadily declining path. Continue pursuing a durable improvement of the efficiency and quality of public expenditure by fully implementing the measures adopted in 2012 and taking the effort forward through regular in depth spending reviews at all levels of government.	**Limited Progress:** The 2013 deficit **remained** at 3% of GDP. In the Commission 2014 spring forecast, the headline deficit is projected to decline to 2.6 % of GDP in 2014. However, the achievement of the medium-term objective is now targeted for 2016, as compared with 2014 planned in April 2013 and recommended in July 2013 by the Council. Italy risks **non-compliance** with the Stability and Growth Pact rules. In particular, the annual structural adjustment of only 0.1 percentage point of GDP forecast for 2014 falls short of the 0.7 percentage point of GDP minimum linear structural adjustment that, according to the Commission forecast, would be required to comply with the debt benchmark in the 2013-2015 transition period. A spending review has been launched. It now needs to be adopted and implemented also to finance the announce cut to the personal income tax for low-income employees.	**1.** Reinforce the budgetary measures for 2014 in the light of the emerging gap relative to the Stability and Growth Pact requirements, namely the debt reduction rule, based on the Commission services 2014 spring forecast and ensure progress towards the MTO. In 2015, significantly **strengthen the budgetary strategy to ensure compliance with the debt reduction requirement and thus reaching the MTO**. Thereafter, ensure that the general government debt is on a sufficiently downward path; carry out the ambitious privatisation plan; implement a growth-friendly fiscal adjustment based on the announced significant savings coming from a durable improvement of the efficiency and quality of public expenditure at all levels of government, while preserving growth-enhancing spending like R&D, innovation, education and essential infrastructure projects. Guarantee the independence and full operationalisation of the fiscal council as soon as possible and no later than September 2014, in time for the assessment of the 2015 Draft Budgetary Plan.	**Limited Progress:** (this overall assessment excludes an assessment of compliance with the Stability and Growth Pact): **Limited progress** was made to improve the efficiency and quality of public spending. Ministers were directly involved in selecting areas within their own budgets eligible for targeted savings without recourse to linear expenditure cuts as in the past. However, the need to preserve growth-enhancing expenditure items and improve the economic efficiency of the public administration would still require top-down coordination and monitoring. The identification of additional savings at regional level (EUR 4 billion in 2015) has been delayed. **Limited progress** was made with regard to privatisation. Privatisation proceeds in 2014 amounted to 0.2% of GDP (mainly related to the reimbursement of Monti bonds by Banca Monte dei Paschi), short of the target of 0.7% per year. **Substantial progress** was made with regard to the Italy's Fiscal Council,

				which has been operational since September 2014.
	2. Ensure timely implementation of on-going reforms by swiftly adopting the necessary enacting legislation, following it up with concrete delivery at all levels of government and with all relevant stakeholders, and monitoring impact. Reinforce the efficiency of public administration and **improve coordination between layers of government**. Simplify the administrative and regulatory framework for citizens and business and reduce the duration of case-handling and the high levels of litigation in civil justice, including by fostering out-of- court settlement procedures. Strengthen the legal framework for the repression of corruption, including by revising the rules governing limitation periods. Adopt structural measures to improve the **management of EU funds** in the southern regions with regard to the 2014-2020 programming period.	**Limited Progress:** **Some progress** in improving the functioning of civil justice. The geographical re-organisation of courts has been implemented. Other measures were taken including a new law on mediation and a December 2013 bill to improve the functioning of the justice system. Despite these measures problems persist (lengthy duration of proceedings, high number of pending cases). **Limited progress** in addressing implementation gaps. Measures were taken to contain the need for secondary legislations and monitor implementation of past reform, but implementation gaps remains very important. **Limited progress** towards administrative simplification Piecemeal measures with limited impact were taken but a draft law on simplification presented to the parliament in June 2013 has not been adopted yet and major reforms undertaken in 2012 are not being implemented. **Limited progress** in the fight against corruption. The anti-corruption agency was reformed but remains	**3.** As part of a wider effort to improve the efficiency of public administration, **clarify competences at all levels of Government. Ensure better management of EU funds** by taking decisive action to improve administrative capacity, transparency, evaluation and quality control both at national and regional level, especially in southern regions. Further enhance the effectiveness of anti-corruption measures, including by revising the statute of limitations by the end of 2014, and strengthening the powers of the national anti-corruption authority. Monitor in a timely manner the impact of the reforms adopted to increase the efficiency of civil justice with a view to securing their effectiveness and adopting complementary action if needed.	**Limited Progress:** **Limited progress** was made to improve the efficiency of public administration, although some effort is under way. The Senate completed its first reading of the draft constitutional bill clarifying the competences of different levels of government. A draft enabling law envisaging a comprehensive reform of the public administration is currently being considered by the Senate. The agency for territorial cohesion is about to become operational. **Limited progress** was made in the fight against corruption. In particular, the process to revise the Italian stature of limitations is still in the initial phase. However, the powers of anti-corruption authority ANAC were enhanced and the new offence of self-laundering was introduced into the Italian criminal code. **Some progress** was made towards improving the functioning of civil justice. Electronic filing in civil, administrative and tax-related trials became obligatory and the 'office of proceedings' was established. The possibility to transfer pending cases to arbitration and a new pre-trial procedure of 'assisted negotiation'

		understaffed and no notable action was taken to revise the statute of limitations. **<u>Limited progress</u>** was made regarding the upgrading of administrative capacity for the management of EU funds. Italy. A new Agency for territorial cohesion was set up but operational delays and uncertainties about its personnel and competences cast doubts on its capacity to bring about the change required by the challenge. The draft Partnership Agreement for the 2014-2020 programming period outlines a series of measures at national level but does not address the need to improve the administrative capacity of the bodies in charge of funds.		(negoziazione assistita), mandatory in certain cases, was introduced. Simplification measures were also introduced. Further reforms are under way.
	3. Extend good corporate governance practices to the whole **banking sector** conducive to higher efficiency and profitability to support the flow of credit to productive activities. Take forward the on-going work as regards **asset-quality screening** across the banking sector and **facilitate the resolution of non-performing loans** on banks' balance sheets. **Promote further the development of capital markets** to diversify and enhance firms' access to finance, especially into equity, and in turn foster their innovation capacity and growth.	**Some Progress:** **<u>Some progress</u>** in easing firms' access to credit. This includes in particular a strengthened loan guarantee scheme and a renewal of the existing debt moratorium. **<u>Some progress</u>** in developing non-bank funding. The main measure is the strengthening of the allowance for new corporate equity. Other measures (mini-bonds, tax incentives for investment in innovative start-ups) were taken, but their impact remains to be seen.	**4.** Reinforce the resilience of the **banking sector** and ensure its capacity to manage and dispose of impaired assets to revive lending to the real economy. Foster non-bank access to finance for firms, especially small and medium-sized businesses. Continue to promote and monitor efficient corporate governance practices in the whole banking sector, with particular attention to large cooperative banks ('banche popolari') and the role of foundations, with a view to improving the effectiveness of financial intermediation.	**Some Progress:** **<u>Some progress</u>** was made on the disposal of impaired assets, but the efforts were concentrated only in the largest banks, especially in the context of the European Central Bank's comprehensive assessment of the euro-area banking sector. **<u>Some progress</u>** was made on addressing the corporate governance weaknesses in the banking sector. The Bank of Italy has strengthened the corporate governance of banks by requiring inter alia a clear distinction of responsibilities and powers of

		<u>Some progress</u> on asset quality screening: the Bank of Italy conducted a thorough asset quality review of 20 Italian banks over 2012–13. The 2014 Stability Law enhanced the tax deductibility for banks' loan-loss provisions, which should contribute to an increase in non-performing loan coverage. **<u>Some progress</u>** on corporate governance in banks. The Bank of Italy has issued new corporate governance principles for banks, but their impact depends on actual implementation and enforcement.		corporate governance bodies, the effectiveness of controls and a composition of governing bodies which is consistent with the size and the complexity of banks. Italy's largest cooperative banks (banche popolari) – i.e. those with more than EUR 8 billion assets – are required to transform themselves into joint-stock companies, thus abolishing the 'one head-one vote' rule. No specific initiative was taken yet on the role of foundations in Italy's banking sector. **<u>Substantial progress</u>** was made towards facilitating and diversifying firms' access to finance. Measures include the strengthening of the allowance for corporate equity (ACE) framework, tax incentives for investment in mini-bonds by institutional and foreign investors, the further enhancing of the Central Guarantee Fund for SMEs, the introduction of direct lending by insurance firms, incentives for SMEs to list themselves on the stock market, investment support programmes by Cassa Depositi e Prestiti (e.g. Nuova Sabatini), the extending of the existing research and development tax credit framework and the introduction of a favourable tax regime ('Patent Box') for revenues from the use or sale of patents and trademarks.

	4. Ensure the effective implementation of the **labour market and wage setting reforms** to allow better alignment of wages to productivity. Take further action to foster **labour market participation**, especially of women and young people, for example through a Youth Guarantee. Strengthen **vocational education and training**, ensure more efficient public employment services and improve career and counselling services for tertiary students. **Reduce financial disincentives** for second earners to work and improve the provision of care, especially child- and long-term care, and out-of-school services. Step up efforts to **prevent early school leaving**. Improve school quality and outcomes, also by enhancing teachers' professional development and diversifying career development. Ensure effectiveness of social transfers, notably through better targeting of benefits, especially for low-income households with children.	**Limited Progress:** **Some progress** in implementing the labour market and wage-setting reforms. Most implementing legislation of the 2012 labour market reforms has been adopted. The March 2014 decree law further simplifies the regulation of fixed-term and apprenticeship contracts. Criteria for representativeness in collective bargaining were set in January 2014, which may foster decentralisation of bargaining. The measures to upgrade public employment services however still need to be implemented and the effectiveness of active labour market policies remains low. The national reform programme announces further measures as regards to contractual simplification, the reform of unemployment benefits and the systematisation of active labour market policy. **Limited progress** has been made in addressing youth unemployment. Some measures were taken but their scope and the resources allocated are limited. The Youth Guarantee Implementation Plan is being examined by the Commission. **Limited progress** on women's labour market participation, with regard to both childcare and long-term care and disincentives to work for second earners. Some measures to reduce	**5.** Evaluate, by the end of 2014, the impact of the **labour market and wage-setting reforms** on job creation, dismissals' procedures, labour market duality and cost competitiveness, and assess the need for additional action. Work towards a more comprehensive social protection for the unemployed, while limiting the use of wage supplementation schemes to facilitate labour re-allocation. Strengthen the link between active and passive labour market policies, starting with a detailed roadmap for action by December 2014, and reinforce the coordination and performance of public employment services across the country. Adopt effective action to promote female employment, by adopting measures to reduce fiscal disincentives for second earners by March 2015 and providing adequate care services. Provide adequate services across the country to non-registered young people and ensure stronger private sector commitment to offering quality apprenticeships and traineeships by the end of 2014, in line with the objectives of a youth guarantee. To address exposure to poverty and social exclusion, scale-up the new pilot social assistance scheme, in compliance with budgetary targets, guaranteeing appropriate targeting, strict conditionality and territorial uniformity, and strengthening the link with activation measures. Improve the effectiveness of family support	**Some Progress:** **Some progress** was made to reduce segmentation, increase exit flexibility, reform passive and active labour market policies and foster participation. A broad-ranging enabling law for reforming the labour market was adopted in December 2014, with two important legislative implementing decrees on employment protection and the revision of unemployment benefits being already adopted and two, respectively on labour contracts and work-life balance, subject to the non-binding opinion of the Parliament. Other implementing legislative decrees (on active labour market policies, review of wage-supplementation schemes and inspections) are expected to follow before June 2015. **Limited progress** was made on youth unemployment. The implementation of the Youth Guarantee started in May 2014 but take-up is limited. **Limited progress** was made to address exposure to poverty. A pilot project on the social inclusion scheme (SIA) has been carried out in 12 metropolitan cities. Under the labour market reform, an unemployment assistance scheme is being established (ASDI).

		disincentives to work for second-earners and foster parenthood are included in an enabling law adopted by the government in April 2014. **<u>Some progress</u>** on the effectiveness of social transfers. A 'social inclusion card' pilot project targeted to low income households with children is in place and is planned to be extended to the whole territory. **<u>Limited progress</u>** on education. Measures have been taken on career guidance and early school leaving**.** Initiatives to strengthen vocational education and training are of limited scope and impact. The issue of enhancing the teaching profession remains largely unaddressed.	schemes and quality services favouring low-income households with children. **6.** Implement the National System for Evaluation of Schools to **improve school outcomes** in turn and reduce rates of early school leaving. Increase the **use of work-based learning** in upper secondary vocational education and training and strengthen vocationally-oriented tertiary education. Create a national register of qualifications to ensure wide recognition of skills. Ensure that public funding better rewards the **quality of higher education and research.**	**Some Progress:** **<u>Some progress</u>** was made in implementing the National System for Evaluation of schools, which is being phased in. A public consultation on the reform of the education system was closed in November 2014 and legislative follow up is expected in early 2015. **<u>Some progress</u>** was made towards increasing the share of performance-related public funding for universities (from 13.5% in 2013 to 18% in 2014). Standard costs will gradually be introduced over 2014-18 as criteria for allocating the remaining share of public funding. **<u>Limited progress</u>** was made on vocational training. The national register of qualifications is due to be ready by early 2015. More action is expected under the forthcoming broader reform.
	5. Shift the tax burden from labour and capital to consumption, property and the environment in a budgetary neutral manner. To this purpose, review the scope of VAT exemptions and reduced rates and of direct tax expenditures, and reform the cadastral system to align the tax base of recurrent immovable property to market values. **Pursue the fight against tax evasion, improve tax**	**Limited Progress:** **<u>Some progress</u>** in shifting the tax burden away from productive factors. The 2014 Stability Law decreased the tax burden on labour and further measures were taken in April 2014 to reduce the tax wedge, but fully financed only for 2014. The standard rate of VAT was raised but VAT exemptions and reduced rates have not	**2. Further shift the tax burden from productive factors to consumption, property and the environment,** in compliance with the budgetary targets. To this end, evaluate the effectiveness of the recent reduction in the labour tax wedge and ensure its financing for 2015, review the scope of direct tax expenditures and broaden the tax base, in particular on consumption. Ensure more effective environmental taxation,	**Some Progress:** **<u>Some progress</u>** was made in shifting taxation away from labour. A tax credit (of EUR 10 billion or 0.6% of GDP per year) was introduced for low-income earners in April 2014 and the labour component was excluded from the calculation of the regional business tax (IRAP) from Jan 2015. For new hires under open-ended contracts in

	compliance and take decisive steps against the shadow economy and undeclared work.	been reviewed. Furthermore there has been no structural reform of direct tax expenditure and cadastral values have not been updated to reflect real market values (an enabling law to these purposes was adopted in March 2014). **Limited progress** to reform taxation, improve tax compliance and reducing tax evasion. The government has undertaken additional enforcement measures but decisive action to improve tax compliance and reduce tax evasion is missing. The March enabling law on taxation includes measures that, once implemented, could represent a significant step forward. Progress on reducing the shadow economy and undeclared work has been limited.	including in the area of excise duties, and remove environmentally harmful subsidies. Implement the enabling law for tax reform by March 2015, including by adopting the decrees leading to the reform of the cadastral system to ensure the effectiveness of the reform of immovable property taxation. Further improve tax compliance by enhancing the predictability of the tax system, simplifying procedures, improving tax debt recovery and modernising tax administration. **Pursue the fight against tax evasion and take additional steps against the shadow economy and undeclared work**.	2015, private sector employers will not pay social security contributions for three years. **Limited progress** was made on tax expenditures, environmental taxation, and removal of environmentally harmful subsidies. **Some progress** was made to simplify procedures (including pre-filled tax returns) and improve compliance (including measures to prevent carousel fraud in VAT and facilitate voluntary disclosure). A report on tax evasion was published in October 2014, which assesses the tax gap (EUR 91 billion).
	6. Ensure the proper implementation of the measures aiming at **market opening in the services sector**. **Remove remaining restrictions in professional services** and foster market access for instance in the provision of local public services where the use of **public procurement should be advanced** (instead of direct concessions). Pursue deployment of the measures taken to improve market access conditions in network industries, in particular by setting- up the Transport Authority as a priority. **Upgrade infrastructure capacity** with focus on energy interconnections, intermodal transport and high-speed	**Limited progress:** **Limited progress** in fostering market access in services. Some efforts have been made to open up and modernise the services sector, particularly a reform of professional associations (implementation is proceeding, with some challenges for the legal profession). However as stressed by the Italian Competition Authority, the issue of procurement and provision of local public services remains high on the agenda and needs to be addressed. **Substantial progress** in improving market access conditions in energy;	**7.** Approve the pending legislation or other equivalent measures aimed at **simplifying the regulatory environment for businesses and citizens** and address implementation gaps in existing legislation. Foster **market opening and remove remaining barriers** to, and restrictions on, competition in the professional and local public services, insurance, fuel distribution, retail and postal services sectors. Enhance the efficiency of public procurement, especially by streamlining procedures including through the better use of e-procurement, rationalising the central purchasing bodies and securing the	**Limited Progress:** **Some progress** was made simplify the regulatory environment for business and citizens. The government has adopted the 'Simplification Agenda for 2015-17' to foster cooperation between central and regional governments in establishing a more coherent simplification framework and measures have been taken to simplify authorisation procedures in environmental and construction matters. **Limited progress** was made in improving public procurement.

	broadband in telecommunications, also with a view to tackling the North-South disparities.	some progress in the transport sector. The Transport Authority has been set up and started work in January 2014 but is not yet fully operational: procedures for staff recruitment are on-going. Inefficiencies in local transport services remain however to be addressed. In the energy, unbundling in the gas sector is complete and the functioning of gas and electricity markets has improved, although prices remain high. **Limited progress** in addressing infrastructure gaps. Weaknesses in energy interconnections and intermodal transport, notably at ports, are still a major bottleneck. Gaps remain also in telecommunications: existing investment plans seem insufficient to ensure that Digital Agenda objectives for high-speed broadband coverage are met.	proper application of pre- and post-award rules. In local public services, rigorously implement the legislation providing for the rectification of contracts that do not comply with the requirements on in-house awards by 31 December 2014.	Measures to rationalise public procurement have taken and a draft enabling law for the reform of the public procurement code was tabled government. **No progress** was made to reform local public services. The deadline of end-2014 for rectifying contracts that do not comply with EU law has been postponed to end-2015. The observatory that is supposed to oversee the implementation of relevant legislation is not yet operational. The draft enabling law for the reform of the public administration includes measures to reform local public services. **Limited progress** was made to address restrictions on competition in other sectors, for which a 'law for competition' has been announced. In the banking sector, the regulation concerning the portability of bank accounts was improved. The rental market for non-residential large buildings was opened. Italy is actively participating in the mutual evaluation exercise provided for in the Directive amending the Professional Qualifications Directive but has yet to complete its review.
			8. Ensure swift and full operationalisation of the **Transport Authority** by September 2014. Approve the list of strategic	**Limited Progress:** **Substantial progress** was made on the Transport Authority, which is now

			infrastructure in the energy sector and enhance port management and connections with the hinterland.	operational, although understaffed. **Limited progress** was made with regard to strategic infrastructures in energy and ports. Decree-law 90/2014 sets out criteria for selecting strategic infrastructures and envisages a strategic plan for Italian ports but no concrete steps to implement it have been taken yet

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

LV	[Country Specific Recommendations 2013](#) **SGP: CSR 1 and MIP: CSR -**	[Assessment of implementation of CSR 2013](#) **(based on COM staff documents)**	[Country Specific Recommendations 2014](#) **SGP: CSR 1 and MIP: CSR -**	[Assessment of implementation of CSR 2014](#) **(based on COM staff documents)**
	1. Reinforce the budgetary strategy to **ensure that the deviation from the MTO only reflects the incremental impact of the systemic pension reform**. Within this strategy, reduce taxation of low-income earners by **shifting taxation to areas such as excise duties, recurrent property taxes and/or environmental taxes**. Maintain efforts to **improve tax compliance and combat the shadow economy**. Continue **strengthening the fiscal framework through effective implementation of the Fiscal Discipline Law** and multi-annual budgeting.	**Some Progress:** **Substantial progress** as regards the MTO **Some progress** in reducing taxation of low-income earners, as the tax wedge has been brought closer to the EU average (though the focus on low-income earners has been only partial. **Some progress** in shifting taxation to other tax bases and environmental taxes: a new excise tax on liquefied petroleum; euro vignette as of July 2014; a new tax on water use for hydroelectric power plants; an increase in environmental taxes for noneco-friendly products (packaging); landfill tax increased as of January 2014. **Some progress** in improving tax compliance and combating the shadow economy. **Substantial progress** in strengthening of the fiscal framework.	**1. Preserve a sound fiscal position** in 2014 and strengthen the budgetary strategy as of 2015, **ensuring that the deviation from the medium-term objective remains limited to the impact of the systemic pension reform. Pursue efforts to further reduce the tax burden on low-income earners** in the context of a shift towards more growth-friendly property and environmental taxes and by improving tax compliance and collection.	**Some progress** (this overall assessment of CSR 1 excludes an assessment of compliance with the Stability and Growth Pact): **Some progress** in reducing labour taxation, but measures could be better targeted at low-income earners. **Limited progress** in shifting taxation to other tax bases and environmental taxes. Subsidy for fuel used in agriculture was tightened Latvia still has a substantial potential to raise revenues from environmental and property taxation. **Some progress** in improving tax compliance and combating shadow economy.
	2. Continue to use micro and macro prudential policies to prevent possible vulnerabilities that could arise from future **credit growth and non-resident banking activities**.	**Substantial Progress:** **Substantial progress** in implementing additional macro-prudential measures to supervise non-resident banking, in		

		particular in the context of the assessment of Latvia's readiness to join the euro area. These include additional liquidity and capital adequacy requirements for non-resident banks, regular on- and off-site checks, strengthening the Deposit Guarantee Fund, etc. Latvia has aligned monetary policy and supervisory tools with those in the euro area.		
	3. Tackle long-term and youth unemployment by increasing coverage and effectiveness of active labour market policies and targeted social services. Improve employability of young people, for example through a Youth Guarantee, establish comprehensive career guidance, implement reforms in the field of vocational education and training, and improve the quality and accessibility of apprenticeships.	**Some Progress:** **<u>Some progress</u>** in increasing coverage and the effectiveness of the ALMPs (profiling, quality evaluation, strengthened job search assistance). **<u>Limited progress</u>** in providing targeted social services. Steps were taken to strengthen cooperation between PES and social services and to increase capacity of social work. **<u>Some progress</u>** in improving the employability of young people. The Youth Guarantee Implementation Plan was developed and submitted to the Commission. **<u>Some progress</u>** in implementing reforms in the field of vocational education and training and improved quality and accessibility of apprenticeships. Nevertheless, there is still ample scope for expanding work-based learning in VET. Implementing		

		other VET reforms remains a longer-term challenge. **<u>Limited progress</u>** in establishing comprehensive career guidance.		
	4. Tackle high rates of poverty by reforming social assistance for better coverage, by improving benefit adequacy and activation measures for benefit recipients. Reinforce the delivery mechanisms to effectively reduce child poverty.	**Some Progress:** **<u>Limited progress</u>** in reforming social assistance. Reform proposals based on sound evidence are being prepared; however, their implementation is uncertain. **<u>Substantial progress</u>** in addressing child poverty. Latvia has significantly increased various child-related benefits and implemented other measures (childcare vouchers, relieving parents of the costs associated with school supplies etc.).	**3. Reform social assistance and its financing** further to ensure better coverage, adequacy of benefits, strengthened activation and targeted social services. Increase coverage of active labour market policies. **Improve the cost-effectiveness, quality and accessibility of the healthcare system.**	**Limited Progress:** **<u>Limited progress</u>** in social assistance reform. Several studies and policy documents were prepared, but the implementation is uncertain. **<u>Limited progress</u>** in activation and provision of targeted social services. A new programme targeting the long-term unemployed is to be launched. **<u>Limited progress</u>** in increasing the coverage and effectiveness of active labour market policies: e.g., funding and the number of participants involved in active labour market policies will decrease in 2015 compared to 2014. **<u>Limited progress</u>** in improving cost-effectiveness, quality and accessibility of health care system. In general, there is a clear under-financing of the healthcare sector that negatively affects access to healthcare for vulnerable groups.
	5. Implement the planned **reforms of higher education** concerning, in particular, the establishment of a quality-rewarding financing model, reform of the accreditation system,	**No Progress:** **<u>No progress</u>** in establishing a quality-rewarding financing model.	**2. Step up implementation of the higher education reform,** in particular through the establishment of an independent accreditation agency and a financing model that rewards	**Some Progress:** **<u>Some progress</u>** in addressing higher education reforms: steps are taken to establish internationally-certified

	consolidation of the institutions and promotion of internationalization. Take further steps to modernise research institutions based on the on-going independent assessment.	**No progress** in reforming the accreditation system (the opportunity to use independent international accreditation agencies was not used, and no concrete steps taken to bring the accreditation system in line with international practice). **Limited progress** in consolidating institutions. **Limited progress** in promoting internationalisation (the legislative restrictions to the use of foreign languages in teaching remained unchanged). **Limited Progress** regarding the modernisation of research institutions. The results of the international independent assessment were available only at the end of 2013. Only 10 % of the research institutions were assessed as high level international research centres and structural changes are needed to improve the competitiveness of the system. The government has announced that proposals for structural reforms will be presented by 1.7.2014.	quality. Provide career guidance at all education levels, improve the quality of vocational education and training, including by strengthening apprenticeship, and make progress as regards the employability of young people including by putting in place outreach measures for non-registered youth not in employment, education or training. Take steps for a more integrated and comprehensive research system also by concentrating financing towards internationally competitive research institutions.	accreditation system and introduce new quality-promoting financing model. **Some progress** in improving the quality of vocational education and training and its apprenticeship component. The vocational education and training curricula reform is in progress and some steps were made to strengthen vocational education and training governance, increase the role of employers and expand provision of work-based learning. **Some progress** in improving employability of young people, as most of the Youth Guarantee measures have started. Preparations for the young people not in employment, education or training-outreach project are underway. **Limited progress** in providing career guidance: the plans to improve career guidance are at an early stage. **Some progress** in introducing reforms of the public research organisations and research financing system. The government has launched plans to consolidate the research base and reform the financing of research performing institutions. However, it remains to be seen how this reform will be implemented and it needs adequate resources.

	6. Continue **improving energy efficiency**, especially of residential buildings and district heating networks; provide incentives for reducing energy costs and shift consumption towards energy- efficient products. **Improve connectivity with EU energy networks** and take steps towards liberalisation of the natural gas market, including provision of clear rules for third-party access to storage capacities.	**Some Progress:** **Some progress** in improving energy efficiency in the residential buildings sector, including partial transposition of the Energy Performance of Buildings Directive. **Limited Progress** as regards to connectivity with EU networks, in particular in the gas sector. Latvia is encouraged to introduce liberalisation and market opening in parallel to efforts to build interconnectors. In particular, Latvia should make efforts to integrate its electricity and gas markets better with Lithuania and Estonia. In this regard, implementation of the BEMIP plan should continue.	**4. Accelerate the development of gas and electricity interconnections to neighbouring Member States** to diversify energy sources and promote competition through improved integration of the Baltic energy markets. Pursue efforts to **further increase energy efficiency** in transport, buildings and heating systems.	**Some progress:** **Some progress** in improving competition on the electricity and gas market: full opening of the electricity retail market from January 2015 and the first steps towards full gas market opening by 2017 (regulated third party access to infrastructure). With the completion of Klaipeda LNG terminal and two new regional electricity interconnectors in 2015 and 2016, the Baltic regional energy market will be stronger and energy supplies more diversified. **Some progress** with adopting the new Energy Efficiency Law and putting in place energy efficiency obligation scheme to transpose the Directive (2012/27/EU); there is a persisting uncertainty as regards future renewable energy support framework. **Some progress** in addressing energy efficiency in buildings, but limited effort to reduce greenhouse gas emissions in the transport sector (e.g., in 2013 Latvia's average CO_2 emissions of new passenger cars were the highest in the EU).
	7. Complete pending reforms to **improve the efficiency and quality of the judiciary** and reduce the backlog and length of proceedings, including as regards insolvency. Put in place a comprehensive human	**Some Progress:** **Some Progress:** Latvia included legislative amendments to the Code of Civil Procedure, Law on Judicial Power, insolvency law, arbitration law	**5. Complete judicial reforms** including the pending reforms of insolvency, arbitration and mediation frameworks to ensure a more business- and consumer-friendly legal environment**. Step up public**	**Some Progress:** **Substantial progress** with improving mediation and arbitration frameworks. However, implementation of judicial reforms is still required, including

	resources policy and take steps to implement the mediation laws and streamline the arbitration court system.	and mediation law. It is too early to assess the results as some amendments are still undergoing the legislative procedure. The evaluation of the effectiveness of court proceedings and their cost continues. The backlog and length of proceedings have been reduced in 2012-2014.	**administration reforms**, including by implementing state-owned enterprise management reform and increasing institutional and financial independence of the Competition Council.	amendments to civil and administrative code, comprehensive human resource policy. **Some progress** in improving the insolvency regime; however finalisation of secondary legislation and further accountability of insolvency practitioners is warranted. **Limited progress** in implementing public administration reforms, establishing a credible and de-politicised state owned enterprise management system and strengthening institutional and financial independence of the Competition Council.

LT	Country Specific Recommendations 2013 **SGP: CSR 1 and MIP: CSR -**	Assessment of implementation of CSR 2013 **(based on COM staff documents)**	Country Specific Recommendations 2014 **SGP: CSR 1 and MIP: CSR -**	Assessment of implementation of CSR 2014 **(based on COM staff documents)**
	1. Ensure growth friendly fiscal consolidation and implement the budgetary strategy as planned, pursuing a **structural adjustment effort that will enable Lithuania to reach the medium-term objective**. Prioritise growth-enhancing expenditure. Continue to strengthen the fiscal framework, in particular by securing enforceable and binding expenditure ceilings in the medium-term budgetary framework. **Review the tax system** and consider increasing those taxes that are least detrimental to growth, such as recurrent property and environmental taxation, including introducing car taxation, while continuing to reinforce tax compliance.	**Some Progress:** **Some progress** towards the medium-term objective was made in 2013, while the planned progress for 2014 is low. The budgetary strategy for the last year was roughly implemented. However, planning of tax revenues remains an issue. **Limited progress** in strengthening the fiscal framework, as expenditure ceilings remain insufficiently binding. Legislative changes have not yet been approved. **Limited progress** in reviewing the tax system. No action was taken on increasing tax revenues and reforming taxation. Some progress was made in improving tax compliance.	**1. Reinforce the budgetary measures** for 2014 in the light of expenditure growth exceeding the benchmark and the emerging gap of 0,3 % of GDP in terms of structural effort based on the Commission services 2014 spring forecast, pointing to a risk of significant deviation relative to the preventive arm of the Stability and Growth Pact requirements. In 2015, **strengthen the budgetary strategy to ensure the required adjustment of 0,5 % of GDP towards the medium-term objective.** Thereafter ensure that the medium-term objective is adhered to. Complement the budgetary strategy with a **further strengthened fiscal framework**, in particular by ensuring binding expenditure ceilings when setting the medium-term budgetary framework. Further **review the tax system** and consider increasing those taxes that are least detrimental to growth, such as recurrent property and environmental taxation, while continuing to **improve tax compliance.**	**Some Progress** (this overall assessment of CSR1 excludes an assessment of compliance with the Stability and Growth Pact): **Some progress** in strengthening the fiscal framework was made in 2014 as Lithuania transposed the Fiscal Compact into national law. However, the structurally balanced budget rule does not appear clearly centred on compliance with the medium-term objective and its adjustment path. In this respect, it is not unequivocally anchored to the EU fiscal framework. The credibility of the new fiscal framework is also weakened by loosely defined escape clauses, in particular in the event of a negative output gap. **Limited progress** in reviewing the tax system and improving tax compliance. Minor amendments have been made to property tax and landfill tax on waste has been introduced. A tax compliance strategy has been adopted.
	2. Adopt and implement legislation on a comprehensive **pension system reform**. Align the statutory retirement age with life expectancy, restrict access to early retirement, establish	**Limited Progress:** **No progress** in implementing a comprehensive pension system reform and aligning statutory retirement age	**2.** Adopt and implement legislation on a comprehensive **pension system reform.** In particular, align the statutory retirement age with life expectancy, restrict access to early	**Limited Progress:** **Limited progress** in implementing a comprehensive pension system. The statutory retirement age is being

	clear rules for the indexation of pensions, and promote the use of complementary savings schemes while ensuring implementation of on-going reforms. Underpin pension reform with measures that promote the employability of older workers.	with life expectancy, restricting access to early retirement and establishing clear rules for the indexation of pensions. **Substantial progress** in implementing reform of occupational pension schemes. 33% of insured have decided to participate in the new scheme introduced last year. **Limited progress** in promoting the employability of older workers. Some projects have been introduced, the overall effect on employment has been negligible however, due to the fragmentary nature of the measures and the lack of coordination in their implementation	retirement, establish clear rules for the indexation of pensions, and promote the use of complementary savings schemes. Underpin pension reform with measures that promote the employability of older workers.	increased gradually until 2026. However, at present the pension system does not have a model that takes into account the life-expectancy indicator and there are no clear rules for indexation of pensions. The government intends to address comprehensive pension reform as part of a wider social model approach but this remains to be consolidated and is not yet adopted. **Some progress** in promoting the employability of older workers. Lithuania introduced financial support measures, but a comprehensive active ageing strategy is still missing. Lithuanian pension scheme contains penalties for early retirement, and the share of people choosing early retirement is very low.
	3. Tackle high unemployment amongst low-skilled and long-term by refocusing resources on active labour market policies while improving their coverage and efficiency. Improve the employability of young people, for example through a **Youth Guarantee**, enhance the implementation and effectiveness of apprenticeship schemes, and address persistent skill mismatches. Review the appropriateness of labour legislation with regard to flexible contract agreements, dismissal provisions and flexible working time arrangements, in	**Some Progress:** **Some progress** on tackling long-term unemployment. Limited progress on tackling unemployment amongst low-skilled workers. New schemes were introduced, it is however, necessary to increase coverage and targeting of ALMPs. **Substantial progress** on employment of young people since specifically targeted measures were taken in early 2013. These should be consolidated by the introduction of a Youth Guarantee.	**3. Better target active labour market policy measures** to the low-skilled and long-term unemployed. Improve coverage and adequacy of unemployment benefits and link them to activation. Address persistent skills mismatches by improving the labour-market relevance of education inter alia based on skills forecast systems and promote life-long learning. In order to **increase the employability of young people**, prioritise offering quality apprenticeships, other forms of work-based learning, and strengthen partnership with the private sector.	**Limited Progress:** **Limited progress** on targeting of active labour market policy measures: the coverage is still low, still too much emphasis on ALMP measures that are less effective to provide sustainable employment. **Limited progress** on coverage and adequacy of unemployment benefits and link to activation. **Some progress** has been made on labour market relevance of education as several policy decisions were taken,

	consultation with social partners.	**<u>Some progress</u>** on work-based training and on addressing skills mismatch through reforms targeted at consolidating higher education and improving its quality and training courses. Limited progress on apprenticeship schemes. **<u>No progress</u>** on reviewing labour legislation and improving social dialogue.	Review the appropriateness of labour legislation, in particular with regard to the framework for labour contracts and for working-time arrangements, in consultation with social partners.	directed at improved VET governance and strengthened cooperation with the private sector notably to offer more work based learning. **<u>Some progress</u>** on addressing employability of young people. Delivery of Youth Guarantee started, with improved partnerships but too early to assess effectiveness. Still need to provide more apprenticeships and increase their quality. **<u>Limited progress</u>** on labour legislation. A number of legal acts has been amended but with limited effects. Government intends to address labour regulation as part of a wider social model but this remains to be consolidated and is not yet adopted. However the objective to combine in a single package the measures ensuring more flexibility to labour relations but also more security seems to go in the right direction.
	4. Implement concrete targeted measures to reduce **poverty and social exclusion**. Continue strengthening the links between the cash **social assistance reform and activation measures**.	**Limited Progress:** **<u>Limited progress</u>** on reducing poverty and social exclusion. The action plan for improving social inclusion is a positive step but it does not make clear how the targets will be achieved. **<u>Limited progress</u>** in strengthening the links between reform of social assistance	**4. Ensure adequate coverage of those most in need** and continue to strengthen the links between cash **social assistance and activation measures.**	**No Progress:** The measures taken seem insufficient to tackle the increase of "at risk of poverty" share of the population. The progressive reduction of social benefits to long term beneficiaries could reduce the coverage of those most in need if they cannot find a job. The reform of cash social assistance - and the improved economic situation - resulted in a strong decrease of the

		and 'activation measures'.Further action should be taken to extend the coverage of activation measures and to improve the employability of recipients of social benefits.		expenditure and of the number of recipients. However the situation of those leaving the scheme is unclear. The reduction of the cash social benefits has no direct link to the offer of effective ALPM measures, employment or training. The activation of social assistance beneficiaries is limited. About one third of all registered social beneficiaries are involved in "socially useful activities" of municipalities (max 40 hours / month) but there is no evidence that it leads to any improvement of the employability of the beneficiaries. In addition the recipient is not assured during the activity.
	5. Complete the implementation of the **reform of the State-Owned Enterprises**, in particular to ensure separation of ownership and regulatory functions, and closely monitor compliance with the requirements of the reform.	**Substantial Progress:** The Lithuanian government **approved** amendments to the transparency guidelines which require SOEs to include separate figures for commercial and non-commercial functions. The separation of commercial from non-commercial functions **still needs to be assessed** once an initial report is published later this year. The separation of ownership and regulatory functions has been **completed.** Legal acts allowing for more	**5.** Complete the implementation of **the reform of state-owned enterprises** as planned; in particular by finalising the separation of commercial and non-commercial activities, further professionalising executive boards and closely monitoring compliance with the requirements of the reform.	**Substantial Progress:** The government completed the separation of commercial and non-commercial activities, which are now disclosed in annual reports. It has passed the law which identified the remaining economically relevant SOEs, which have to appoint independent board members by the end September 2015. It can therefore be expected that the CSR might be fully implemented by that time.

		independent board members on SOE boards are in the **<u>process of being drafted</u>**. First assessments on their effectiveness should be possible by late 2014.		
	6. Step up measures to improve the **energy efficiency** of buildings, including through removing disincentives and rapid implementation of the holding fund. Promote **competition in energy networks** by improving interconnectivity with other Member States for both electricity and gas.	**Some Progress:** **<u>Some progress</u>** in improving the energy efficiency of buildings. Legislative measures were taken in order to allow funding from the holding fund to be awarded more quickly to projects aiming at improving the energy efficiency of buildings. **<u>Some progress</u>** in promoting competition in energy networks. An important gas pipeline has been commissioned and the liquefied natural gas terminal in Klaipeda is expected to be operational by December 2014. To date, some progress has been made with regard to the new electricity and gas interconnections of Lithuania with neighbouring Member States, but the construction work for these interconnectors is to be finalised respectively by 2015 and 2018/2019 only.	**6.** Step up measures to **improve the energy efficiency** of buildings, through a rapid implementation of the holding fund. Continue the **development of cross-border connections** to neighbouring Member States for both electricity and gas to diversify energy sources and **promote competition** through improved integration of the Baltic energy markets.	**Some Progress:** **<u>Some progress</u>** in improving the energy efficiency of buildings. After changing the funding model for housing renovation, applications as well as renovations picked-up in 2014, albeit from a low-level. **<u>Some progress</u>** on diversifying energy sources. The Klaipeda LNG terminal was finalised and became operational in December 2014, while work on cross-border interconnectors continued as scheduled.

LU	Country Specific Recommendations 2013 **SGP: CSR 1 and MIP: CSR -**	Assessment of implementation of CSR 2013 **(based on COM staff documents)**	Country Specific Recommendations 2014 **SGP: CSR 1 and MIP: CSR -**	Assessment of implementation of CSR 2014 **(based on COM staff documents)**
	1. Preserve a sound fiscal position and **remain at the medium-term objective so as to ensure the long-term sustainability of public finances**, in particular by taking into account implicit liabilities related to ageing. Strengthen fiscal governance by adopting a medium-term budgetary framework covering the general government and including multi-annual expenditure ceilings, and by putting in place the independent monitoring of fiscal rules.	**Some Progress:** **Some progress** concerning its fiscal position. In 2013, the government implemented a consolidation package equivalent to around 2.0 % of GDP. According to the Commission 2014 spring forecast, the government budget has recorded a small surplus of 0.1 % of GDP in 2013. The headline balance is then expected to turn to a deficit of 0.2% of GDP in 2014 and sharply deteriorate in 2015 to 1.4 % of GDP, as VAT revenues from e-commerce-related activities start to fade out. In structural terms, the government budget is expected to over-achieve the MTO in 2013, posting a surplus of 1.4 % of GDP. In 2014, the surplus is expected to shrink to 0.6 % of GDP, in line with the MTO, but the structural balance is then expected to post a sharp deterioration in 2015 and, departing from the MTO, fall by around 2 % of GDP. Luxembourg has made **some progress** on the adoption of a medium-term budgetary framework. A new draft of the law to introduce such a framework (through a 'multiannual finance law') was presented to parliament in March	**1.** Preserve a sound fiscal position in 2014; significantly strengthen the budgetary strategy in 2015 to **ensure that the medium-term objective is achieved and remain at the medium-term objective thereafter**, in order to protect the long-term sustainability of public finances, in particular by taking into account implicit liabilities related to ageing. **Strengthen fiscal governance** by speeding up the adoption of a medium-term budgetary framework covering the general government and including multi-annual expenditure ceilings, and by putting into place the independent monitoring of fiscal rules. Further broaden the tax base, in particular on consumption.	**Some progress** (this overall assessment of CSR 1 excludes an assessment of compliance with the Stability and Growth Pact): Luxembourg has made **substantial progress** concerning the adoption of a medium-term fiscal framework. A mid-term budgetary framework has been introduced with the adoption on 12 July 2014 of the law 'on the coordination and governance of public finances' that also contributes to ensuring that public finances remain compliant with the MTO. Following the adoption of the law, a multi-annual financing law was, for the first time, adopted by the Parliament in the frame of the 2015 budget. The law also foresees the creation a new independent body, the 'Conseil National des Finances Publiques', in charge of the monitoring of the fiscal rules. Luxembourg has made **limited progress** as to the broadening of the tax base. A 2 percentage-point increase in standard VAT rates was adopted on 18 December 2014 along with the 2015 budget. Luxembourg also decided an increase of the super reduced rate of 3% to the standard rate

		2014 and rapid adoption is expected.		of 17% for all real estate investments, excluding main residences, which is a new measure that broadens the tax base. However, Luxembourg still has a substantial potential to raise revenues from other growth-friendly sources, including environmental taxation.
	2. Take measures to address the debt-bias in **corporate taxation** and extend the application of the standard VAT rate.	**Limited Progress:** **Limited progress** concerning the corporations debt bias in corporate taxation. **Limited progress** on the application of the standard VAT rate. The Prime Minister indicated that the government plans to increase the standard VAT rate by 2 pp (to offset the loss of e-commerce VAT revenue). In parallel, the 2 pp increase will also apply to other reduced VAT rates, but not to the super-reduced rate of 3 %. While broadening the tax base would prove more efficient and more growth-friendly than increasing tax rates, it can be concluded that there has been limited progress with regard to CSR2 on VAT.		
	3. Curb **age-related expenditure** by making long-term care more cost effective, in particular through a stronger focus on prevention, rehabilitation and independent living, strengthening the recently adopted **pension reform**, taking additional measures to curb early retirement and	**Limited Progress:** **Limited progress** on long-term care expenditure. Long-term care reform has been announced, but has not yet been implemented. **Limited progress** on early retirement.	**2.** In view of ensuring fiscal sustainability, **curb age-related expenditure** by making long-term care more cost-effective, **pursue the pension reform** so as to increase the effective retirement age, including by limiting early retirement, by aligning retirement age or pension benefits to	**Limited Progress:** Luxembourg has made **no progress** on long-term care expenditure. Long term care reform has been announced, but has not yet been implemented. A review of the long-term care system is to be completed before summer 2015,

	increasing the effective retirement age by aligning retirement age or pension benefits to change in life expectancy.	A draft bill on the reclassification of people with work disabilities has been presented to parliament. The abolition of some early-retirement schemes has been announced. Finally, measures on lifelong learning should help increase labour market participation by older workers and should be continued (as people currently tend to retire at the age of 59.4 on average, thanks to the generous pension system in place).	change in life expectancy. Reinforce efforts **to increase the participation rate of older workers**, including by improving their employability through lifelong learning.	but implementation could take some time. Luxembourg has made **limited progress** on early retirement. A draft bill on the reclassification of people with work disabilities has been presented to parliament. The abolition of some early-retirement schemes has been announced (people currently tend to retire at the age of 59.4 on average, thanks to the generous pension system in place). Luxembourg has made **limited progress** on increasing the participation rate of older workers. A draft legislation was prepared in April 2014 to change the existing Code of Work (Age Pact) of senior job seekers (aged above 50), but its adoption will likely not take place before the summer 2015. Additional measures on lifelong learning could help increase labour market participation by older workers and are worth to be continued.
	4. Beyond the current freeze, take **further structural measures**, in consultation with the social partners and in accordance with national practices, to reform the **wage setting system, including wage indexation**, to improve its responsiveness to productivity and sectoral developments and labour market conditions and foster competitiveness.	**Limited Progress:** **No progress** on the reform of the wage-setting scheme. The measures regarding the indexation system are valid until the end of 2014. Luxembourg should take further measures to reform the system itself to avoid future loss of competitiveness. Wages could be tied more closely to	**3. Speed up the adoption of structural measures**, in consultation with the social partners and in accordance with national practices, to **reform the wage setting system** including wage indexation with a view to improving the responsiveness of wages to productivity developments, in particular at sectoral level. **Pursue the diversification of the structure**	**Limited progress:** Luxembourg has made **no progress** on the reform of the wage-setting scheme. A temporary modulation of the automatic indexation system ended in the end of 2014. Luxembourg has made **limited progress** on the diversification of its

	Step-up efforts to **diversify the structure of the economy**, fostering private investment in research, notably by developing cooperation between public research and firms.	productivity through a permanent link and sectoral differentiation in the wage bargaining system. **<u>Some progress</u>** on the diversification of its economy. Positive signs include the reinforcement of the country's policy on clusters and the reforms of the public research organisations and the National Research Fund. The government announced its intention to support common research agendas between public research organisations and industry, although it has not yet been announced how this will materialise.	**of the economy,** including by fostering private investment in research and further developing cooperation between public research and firms.	economy. Positive signs include the reinforcement of the country's policy on clusters and the reforms of the public research organisations and of the National Research Fund, although their scope is limited given the dimension of the challenges of the Luxembourgish R&I system. Adding to these reform efforts, the Luxembourgish government announced on 28 July 2014 the elaboration of thematic Research 'Strategic plans' aiming to coordinate research actors. Other reform projects at the feasibility study stage include the development of 'centres de compétences' and of a new funding tool for public-private partnerships.
	5. Step up efforts to reduce **youth unemployment** by improving the design and monitoring of active labour market policies. Strengthen general and **vocational education** to better match young people's skills with labour demand, in particular for people with migrant background. Reinforce efforts to increase the participation rate of older workers, including by improving their employability through lifelong learning.	**Limited Progress:** **<u>Some progress</u>** in addressing CSR 5 as regards activation policies for young people. It has taken a number of relevant measures to tackle youth unemployment which seem to point in the right direction, but so far these have been only partially implemented. There is still a need for a coherent strategy. Stronger cooperation between administration levels (state, municipalities) and a more efficient use of employment services would produce better results. **<u>Limited progress</u>** in addressing CSR 5 as regards the reform of secondary education and of vocational education	**4.** Pursue efforts **to reduce youth unemployment for low-skilled jobs seekers**, including those with a migrant background, through a coherent strategy, including by further improving the design and monitoring of active labour market policies, addressing skills mismatches, and reducing financial disincentives to work. To that effect, accelerate the **implementation of the reform of general and vocational education and training** to better match young people's skills with labour demand.	**Limited Progress:** Luxembourg has made **<u>some progress</u>** as regards youth unemployment. Several initiatives have been adopted and the unemployment rate is on declining trend. Luxembourg has made **<u>some progress</u>** as regards activation policies for young people. It has taken a number of relevant measures to tackle youth unemployment, notably by starting implementation of the Youth Guarantee, which is on track, but so far these have been only partially implemented. A coherent strategy is not in place. Stronger cooperation between administration levels (state,

		and training. In order to address the skills mismatch, there is a need to provide guidance to pupils at an earlier age (lower secondary). Overall, more will need to be done to improve significantly the integration of people from migrant backgrounds and low-skilled young jobseekers, and the Luxembourg authorities should be encouraged to take further action. **Some progress** as regards lifelong learning. Measures implemented in 2013 included increased government financial participation rate for firms investing in lifelong learning for their employees. There is still scope for increasing participation by older workers and other vulnerable groups to help put them back to work.		municipalities), involvement of social partners, and a more efficient use of employment services is due. Luxembourg has made **no progress** as regards reducing financial disincentives to work. Luxembourg has made **no progress** in addressing CSR 4 as regards the reform of secondary education and limited progress regarding the reform of vocational education and training. In order to address skill supply challenges there is a need to provide guidance to pupils at an earlier age (lower secondary).
	6. Step up measures to meet the target for **reducing non-ETS greenhouse gas emissions**, in particular by increasing taxation on energy products for transport.	**Limited Progress:** **Limited progress** in adopting some measures to contribute to meeting the target for reducing non-ETS GHG emissions. The second national climate action plan, adopted in May 2013, contains 51 measures targeting a variety of areas, including energy efficiency, the use of renewable energies or transport. Implementing successfully these measures would still fall short of meeting the target. **No progress** with respect to taxation on energy products for transport. The government announced a new study	**5.** Develop a comprehensive framework and take concrete measures to meet the 2020 target for **reducing greenhouse gas emissions** from non-ETS activities, especially through the taxation of energy products for transports.	**No progress:** Luxembourg has made **no progress** in adopting measures to contribute to meeting the target for reducing non ETS greenhouse gas emissions. The second national climate action plan adopted in May 2013 did not specify any timeline for implementation and no concrete action has been taken yet. Overall, greenhouse gas emissions are expected to increase by 3% in 2020 compared to 2005, corresponding to a 23 percentage point gap with the target. 2013 emissions are expected to be 1% higher than the Effort Sharing Decision target.

		on the impact of energy tax reforms, but did not specify concrete actions or timeline for implementation. Overall, GHG emissions are expected to increase by 3% in 2020 compared to 2005, corresponding to a 23 percentage point gap with the target. 2013 emissions are expected to be 1% higher than the Effort Sharing Decision target.		Luxembourg has made **<u>no progress</u>** with respect to taxation on energy products for transport. The government announced a new study on the impact of energy tax reforms that is planned to be released in the course of 2015. Finally, in 2014, the authorities made the commitment to allocating approximately 30% (EUR 40 million) of the total 2014-2020 European Structural and Investment Funds received to support the shift towards a low carbon economy, which add to EUR 14 million of national co financing, an amount still low to bring about a substantial impact in this area.

MT	Country Specific Recommendations 2013 **SGP: CSR 1 and MIP: CSR 2, 5**	Assessment of implementation of CSR 2013 **(based on COM staff documents)**	Country Specific Recommendations 2014 **SGP: CSR 1 and MIP: CSR -**	Assessment of implementation of CSR 2014 **(based on COM staff documents)**
	1. Specify and implement the measures needed to achieve the annual structural adjustment effort set out in the Council recommendations under the EDP in order to **correct the excessive deficit by 2014** in a sustainable and growth-friendly manner, limiting recourse to one-off/temporary measures. After correcting the excessive deficit, pursue the structural adjustment effort at an appropriate pace so as to **reach the MTO by 2019**. Put in place a binding, rule-based multiannual fiscal framework in 2013. Ensure concrete delivery of measures taken to **increase tax compliance** and fight tax evasion, and take action to **reduce the debt bias in corporate taxation.**	**Some Progress:** Despite meeting the nominal deficit target in 2013 with a comfortable margin, according to the Commission 2014 spring forecast, Malta is expected to reduce further the headline deficit in 2014 to a level below the one recommended by the Council (2.5% of GDP) while the improvement in the structural balance over 2013 and 2014 would be much lower and is expected to fall short of the recommended level. In addition, based on the no-policy-change Commission forecast, there is a risk of significant **deviation from the progress** towards the MTO in 2015. **Substantial progress** has been made with regard to reforming the fiscal framework, as the authorities have endorsed a comprehensive Fiscal Responsibility Act. **Some progress** has been made in increasing tax compliance and fighting tax evasion. A number of measures have been put in place to streamline tax collection procedures and facilitate tax collection, but concrete achievements are still difficult to measure. No change has been made	**1. Correct the excessive deficit in a sustainable manner by 2014.** In 2015, significantly strengthen the budgetary strategy to ensure the required structural adjustment of 0,6 % of GDP towards the medium-term objective. Thereafter, pursue a structural adjustment of at least 0,5 % of GDP each year, and more in good economic conditions or if needed to ensure that the debt rule is met in order to **keep the general government debt ratio on a sustained downward path**. Finalise the adoption of the Fiscal Responsibility Act with a view to putting in place a binding, rule-based multiannual fiscal framework and establishing an independent institution charged with the monitoring of fiscal rules and endorsing macroeconomic forecasts underpinning fiscal planning. **Continue improving tax compliance and fighting tax evasion** by ensuring the continued roll-out and evaluation of measures taken so far, while taking additional action, in particular by promoting the use of electronic means of payment.	**Substantial Progress** (this overall assessment of CSR 1 excludes an assessment of compliance with the Stability and Growth Pact). **Fully addressed** the recommendation on the fiscal framework. In July 2014, the Maltese parliament adopted the Fiscal Responsibility Act. It envisages the establishment of a Fiscal Council that would endorse the macroeconomic and fiscal projections prepared by the Ministry of Finance. In the first year following the adoption of the Act, its functions are carried out by the National Audit Office. The Fiscal Council has been formally appointed on 16 January 2015. **Some progress** in strengthening tax compliance and fighting tax evasion, but the tangible impacts of ongoing measures are not yet clear. Recent steps are proceeding in the right direction, but the pace of change could be accelerated, notably for the merger of tax departments. The first efforts to explore the promotion of electronic payment systems are encouraging, but as yet are restricted to the payment of taxes.

		with respect to reducing the debt bias in corporate taxation, although the role of the tax system in relation to debt is less clear.		
	2. To ensure the long-term sustainability of public finances, continue to **reform the pension system** to curb the projected increase in expenditure, including by measures such as accelerating the increase in the statutory retirement age, increasing the effective retirement age by aligning retirement age or pension benefits to changes in life expectancy and by encouraging private pension savings. Take measures to increase the employment rate of older workers by finalising and implementing a **comprehensive active ageing strategy**. Pursue **health-care reforms** to increase the cost-effectiveness of the sector, in particular by strengthening public primary care provision. Improve the efficiency and reduce the length of **public procurement** procedures.	**Limited Progress:** **<u>No progress</u>** in accelerating the reform of the pension system to curb the projected increase in expenditure. **<u>Some progress</u>** has been achieved in introducing a third pillar private pension. **<u>Some progress</u>** in introducing measures to increase the employment rate of older workers, especially through the launching of the National Strategic Policy on Active Ageing. **<u>Limited progress</u>** in ensuring the sustainability of the healthcare system. The Maltese authorities have implemented some measures to rationalize procurement of pharmaceuticals and medical supplies and to improve the management in Mater Dei hospital. However there is no evidence that they have achieved any progress in improving primary and community health care. **<u>Some progress</u>** has been made with respect to the public procurement. Malta is shifting to a fully electronic public procurement system for tenders above EU threshold by 2014. Malta	**2.** To ensure the long-term sustainability of public finances continue the ongoing **pension reform**, such as by accelerating the already **enacted increase in the statutory retirement age** and by consecutively linking it to changes in life expectancy. Ensure that a comprehensive **reform of the public health system** delivers a cost-effective and sustainable use of available resources, such as strengthening primary care.	**Limited Progress:** **<u>No progress</u>** on the pensions system reform to accelerate the increase in the statutory retirement age and consequently linking it to changes in life expectancy. Malta has made some progress in improving the cost-effectiveness of its health system. The authorities reacted positively to the recommendations and increased their effort towards reform with some measures already giving positive results. The National Health Systems Strategy and subsequent action plans on the Maltese health system provide a sound basis for a comprehensive reform. To ensure sustainability of the health system it is important that the extensive measures which have been planned and initiated in governance, health promotion and disease prevention and primary care continue to be implemented with the same momentum.

		has also informed of a significant reduction of the length of the procedure and of measures aiming at further reduction.		
	3. Continue to pursue policy efforts to reduce **early school leaving**, notably by setting up a comprehensive monitoring system, and increase the labour-market relevance of education and training to address skills gaps, including through the announced r**eform of the apprenticeship system**. Continue supporting the improving labour-market participation of women by promoting flexible working arrangements, in particular by enhancing the provision and **affordability of child-care** and out-of-school centres.	**Some Progress:** **Some progress** in setting up a comprehensive early school leaving monitoring system. **Some progress** in increasing the labour market relevance of education and training. **Limited progress** in implementing the apprenticeship reform. **Substantial progress** has been achieved in enhancing the provision and affordability of child-care in Malta through the provision of free childcare.	**3.** Continue policy efforts to address the labour-market relevance of **education and training** and by stepping up efforts on the reform of the apprenticeship system. Further improve basic skills attainment and **reduce early school leaving**, in particular by finalising and implementing the announced national literacy strategy. Further **improve the labour-market participation of women**, in particular those wishing to re-enter the labour market by promoting flexible working arrangements.	**Some Progress:** **Some progress** in creating a single apprenticeship scheme has been done. A new Apprenticeship Unit has been created within the Malta College of Arts, Science and Technology as a single body responsible for the apprenticeship scheme. Further efforts are necessary in order to facilitate a prompt match of skills with the employers' needs. Malta has made some progress on measures to further improve basic skills attainment and reduce early school leaving. The National Literacy Strategy for All was launched in June 2014. The Early School Leaving Strategy was published in June 2014. An Early School Leaving Monitoring Unit within the Ministry of Education and Employment has been set up and an interministerial committee to steer and coordinate policy actions on early school leaving started its work in July 2014. **Some progress** in addressing the female labour market participation through favouring work family balance is visible. Some steps to introduce flexible working arrangements in the private sector

				have been taken and measures targeting women with childcare obligations are being introduced. Improving participation of older women, both in terms of facilitating retention and reintegration into the labour market, as well as in terms of skills adjustments, needs further attention. Although some measures are being implemented, such as tax incentives and wage subsidies to inactive women above 40 who enter the labour market, their impact on employment needs to be further monitored. Limited attention has been given to measures for women who have other dependents such as elderly or people with disabilities. Overall, a positive result in terms of increasing female participation in the labour market and improving work-family balance is observed.
	4. Continue efforts to **diversify the energy mix** and energy sources, in particular through increasing the take up of renewable energy and the timely completion of the electricity link with Sicily. Maintain efforts to **promote energy efficiency and reduce emissions** from the transport sector.	**Limited progress:** **Limited progress** with respect to the promotion of renewable energy. In particular the installation of photovoltaic systems was incentivised with programs using regional funds and a feed-in tariff. However, due to environmental concerns, the plan to build large-scale wind energy projects was revised and will instead focus on decentralised regeneration of renewable energy. **Some progress** with respect to the	**4. Diversify the energy mix in the economy**, including by increasing the share of energy produced from renewable sources.	**Some progress:** on diversifying the energy mix by completing the construction of the electricity interconnector to mainland Europe and taking first steps to shift electricity production away from oil as well as on measures to increase energy efficiency

		electricity link with Sicily. The electricity interconnection between Malta and Italy is being constructed and will be operational by the end of 2014. **Some progress** with respect to energy efficiency. Some measures to implement the Article 7 of the Energy Efficiency Directive were notified in time and seems will transpose the Directive also in time. **Limited progress** with respect to reduce emissions from the transport sector. Malta has implemented a broad and structured set of measures; however, these are of too limited size and scope to significantly improve the performance of the transport sector.		
	5. Take measures to further strengthen the provisions for loan-impairment losses in the **banking sector** to mitigate potential risks arising from exposure to the real estate market. Maintain policy effort to ensure **strict banking sector supervision**, including for the non-core domestic and internationally-oriented banks. Improve the overall efficiency of the **judicial system**, for example by reducing the time needed to resolve insolvency cases.	**Some Progress:** **Substantial progress** on measures taken to ensure financial stability. Measures have been put in place to improve regulatory oversight and loan loss provisioning. **Limited progress** on measures taken concerning the judicial system. An ambitious reform of the justice system has been launched, the implementation of which needs to be followed-up closely to avoid delays.	**5.** Continue efforts to increase the efficiency and reduce the length of public procurement procedures; encourage alternatives to debt-financing of companies through facilitating access to capital markets and developing venture capital funds; and **increase the efficiency of the judicial system** by ensuring a timely and efficient implementation of the planned judicial reform.	**Some Progress:** **Substantial progress** on measures concerning public procurement procedures. The actual length of procurement procedures has dropped significantly from 191 days in 2013 (233 days in 2009) to 115 days in 2014. This reduction results notably from the introduction of mandatory e procurement (e-notification, e-access and esubmission) since January 2013. In addition, the relevant government departments have been strengthened. The announced additional administrative capacity increase should consolidate the gains and

				reduce the duration of the procedure a bit further, thereby bringing Malta closer to the EU average. **<u>Some progress</u>** on measures to encourage alternatives to debt-financing of companies. A review of the start-up scheme by Malta Enterprise in ongoing. The authorities have launched a venture capital platform to help startups and announced the Seed Investment Programme (to provide tax credits equivalent to investment made in start-ups). **<u>Limited progress</u>** on measures to increase the efficiency of the Maltese judicial system which remains a challenge. Judicial reforms are planned but most of them are not yet implemented. They could be expected to produce positive effects in the medium and long term but this remains to be confirmed by the facts on the ground.

NL	Country Specific Recommendations 2013 SGP: CSR 1 and MIP: CSR 2	Assessment of implementation of CSR 2013 (based on COM staff documents)	Country Specific Recommendations 2014 SGP: CSR 1 and MIP: CSR 2, 4	Assessment of implementation of CSR 2014 (based on COM staff documents)
	1. Reinforce and implement the budgetary strategy, supported by sufficiently specified measures, for the year 2014 and beyond to ensure a timely **correction of the excessive deficit by 2014** in a sustainable manner and achieve the structural adjustment effort specified in the Council recommendations under the EDP. **Protect expenditure in areas directly relevant for growth** such as education, innovation and research. After the correction of the excessive deficit, **pursue the structural adjustment effort** that will enable the Netherlands **reaching the medium- term objective by 2015.**	**Substantial Progress:** **Fully addressed:** Additional measures have been implemented that are expected to correct the excessive deficit in a sustainable manner. **Some progress:** Expenditure in areas directly relevant for growth is under pressure. **Limited progress:** The budgetary adjustment path does not appear to ensure reaching the MTO by 2015.	**1.** Following the correction of the excessive deficit, reinforce the budgetary measures for 2014 in the light of the emerging gap of 0,5 % of GDP based on the Commission services 2014 spring forecast, pointing to a risk of significant deviation relative to the preventive arm of the Stability and Growth Pact requirements. In 2015, significantly **strengthen the budgetary strategy to ensure reaching the medium-term objective** and maintain it thereafter, and ensure that the debt rule is met in order to keep the general government debt ratio on a sustained downward path. **Protect expenditure in areas directly relevant for growth** such as education, innovation and research.	**Some Progress** (this overall assessment of CSR 1 excludes an assessment of compliance with the Stability and Growth Pact).
	2. Step up efforts to gradually reform the **housing market** by accelerating the planned reduction in **mortgage interest tax deductibility**, while taking into account the impact in the current economic environment, and by providing for a more market-oriented pricing mechanism in the **rental market**, and by further relating rents to household income in the **social housing** sector. Refocus social housing corporations to support households most in need.	**Limited Progress:** **Limited progress:** since last year's NRP, the enthusiasm for further reforms has waned significantly. The implementation of reforms has not been stepped up as recommended, even though the economic outlook has improved and the housing market has stabilised. **Limited progress:** the rental market is still underdeveloped. Rents in the social housing sector are linked to household income but the system	**2.** When the economic environment allows, step up efforts to **reform the housing market** by accelerating the reduction in mortgage interest tax deductibility, by providing for a more market-oriented pricing mechanism in the rental market, and by further relating rents to household income in the social housing sector. **Monitor the effects of the social housing reforms** in terms of accessibility and affordability for low-income households. Continue efforts to **refocus social housing policies** to	**Limited progress:** **No progress**: The partial phasing out of mortgage interest deductibility has not been stepped up despite a recovery of the housing market and the economic environment. **Limited progress**: The implementation of income-related rent increases has only shown a small increase in rents on top of inflation. The introduction of a more market-based pricing mechanism

		introduced has proven costly. The government recently announced that rents will also be more closely linked to the value of the dwelling. This should support turnover in the market. **Limited progress:** despite long waiting lists for social housing, social housing corporations are still engaging in activities outside their core task. The strict separation of (implicitly) subsidised and non-subsidised activities was initially proposed but now the weaker form of a mere administrative split seems to be considered. It will be more difficult to prevent cross-subsidisation under this arrangement.	support households most in need.	(‘Huursombenadering’) to support mobility in the housing market was planned to be adopted after two years of income-related rent increases (introduced in 2013), but the introduction of this system has been postponed until at least the beginning of 2016. **Some progress**: Effects of the reforms on accessibility (reduction of waiting lists) and affordability of social housing and the number of tenants above the income threshold for social housing (‘scheefhuurders’) cannot be assessed yet. **Some progress**: The government presented a law proposal for splitting the responsibilities between SGEI and non- SGEI. Social housing corporations can choose between a legal split and a weaker form of administrative split. This law proposal is planned to be adopted in 2015.
	3. Adjust the second **pension pillar**, in consultation with social partners, to ensure an appropriate intra- and inter-generational division of costs and risks. Underpin the gradual increase of the statutory **retirement age** with measures to increase the employability of older workers. Implement the planned reform of the **long-term care system** to ensure its cost-effectiveness and complement it with further measures	**Some Progress:** **Some progress:** the Netherlands has partially implemented the part of the recommendation regarding the adjustment of the second pension pillar in consultation with social partners, to ensure an appropriate intra- and inter-generational distribution of costs and risks. The long-term sustainability of the pension system has been	**3. Implement reforms of the second pillar of the pension system**, ensuring an appropriate intra- and inter-generational distribution of costs and risks. Underpin the gradual increase of the statutory retirement age with measures to improve the employability of older workers. **Implement the envisaged reform in the area of long-term care** with a view to ensure sustainability,	**Substantial Progress:** **Some progress**: The reform of the second pillar of the pension system to ensure an appropriate distribution of costs and risks and to keep the Dutch pension system resilient to financial shocks in the long term is still subject to cumbersome negotiations. A new law reducing the fiscally exempted annual accrual rates to 1.875% in 2015 and the

	to contain the increase in costs, with a view to ensure sustainability.	strengthened by gradually increasing the first-pillar statutory retirement age from 65 in 2012 to 67 in 2023, but there has been an on-going discussion about the technical parameters for the second-pillar pension reform. An agreement reached in December 2013 is to be transposed in legislation in the course of 2014. From 2.15 % in 2014, the annual accrual rate exempted from taxes will be lowered to 1.875 % from January 2015. In principle, this should lead to a decrease in the height of the pension premiums. The Dutch Central Bank will monitor the situation. Under the planned reforms, the financial supervision of the pension funds will be improved and made more rigorous. Better use will also be made of financial buffers in order to better cope with financial shocks. This should reduce the system's pro-cyclicality. If pensions need to be adjusted following financial shocks, the Central Bank will assess the way in which the pension funds have taken inter-generational effects into account to ensure inter- and intra-generational fairness in pension contracts. The proposed legislation is awaiting parliamentary approval. **Substantial progress:** several measures have been taken to encourage older workers to work longer and increase their labour	while ensuring fair access and the quality of services and monitor its effects.	proposal for reforming the financial assessment framework were adopted in 2014. **Fully addressed**: The Netherlands has continued taking measures to improve older workers' employability and to increase mobility and participation of older workers. The law proposals for reform of the unemployment benefit system and the employment protection legislation have been adopted and additional measures aimed at older workers' employability have been taken ('Actieplan 50+ werkt'). The effective retirement age and older workers' labour participation in the Netherlands keep increasing. **Some progress**: The comprehensive reforms of the long-term care system have all been adopted by the parliament and have entered into force on 1 January 2015. The government took additional measures to ensure smooth transition of the responsibilities for parts of the long term care system to municipalities and private insurers but the effects of the reform remain to be seen.

		mobility. As a result, the effective retirement age has been increasing significantly, narrowing the gap between the statutory and the effective retirement age. **<u>Some progress:</u>** it is also planned to reform the long-term care system from 2015. The reform will shift responsibilities from the state partly to municipalities and partly to health insurers, with a view to getting people to make greater use of informal care. The parliament is negotiating the proposed legislation. Whilst this reform is a step in the right direction, more will need to be done to ensure the long-term sustainability of public finances.		
	4. Take further measures to enhance **participation in the labour market**, particularly of people at the margin of the labour market. Continue to **reduce tax disincentives on labour**, including by phasing-out of transferable tax credits for second income earners. Foster labour market transitions and **address labour market rigidities**, including by reforming employment protection legislation and the unemployment benefit system.	**Some Progress:** **<u>Some progress:</u>** to increase the number of hours worked some tax measures (e.g. phasing out the transferable tax credit and increasing the labour tax credit for lower incomes) have been implemented, but the situation remains largely unchanged. Full-time female participation remains low. The high percentage of women working part-time contributes to a high gender pay gap (17.9 %) and pension gap (40 %). To make women more financially independent and alleviate future labour supply shortages, they need to work more hours.	**4.** Take further measures to **enhance labour market participation** particularly among people at the margins of the labour market and to reduce tax disincentives on labour. **Implement reforms of employment protection legislation and the unemployment benefit system, and further address labour market rigidities**. In consultation with the social partners and in accordance with national practice, allow for more differentiated wage increases by making full use of the existing institutional framework.	**Some progress:** **<u>Substantial progress</u>**: Most of the labour market reforms aimed at increasing labour participation of people at the margin of the labour market were adopted by the parliament during the summer of 2014. The participation act has been implemented as of 1 January 2015. The Quota act, following the agreement between the government and social partners to hire at least 125 000 people with a disability, has been sent to the parliament and is expected to be adopted at the beginning of 2015. The reforms constitute a major shift of responsibilities to the municipalities. The smooth

		Some progress: a Participation Act has been drafted to increase the labour market participation of people who live far from work. The parliament is discussing it and it is planned to implement it from January 2015. It aims to improve the labour market participation of people with disabilities by merging and reforming several benefit schemes, while shifting responsibility for their execution to municipalities and reducing overall funding. This increased responsibility, combined with substantial budget cuts for the municipalities, might create implementation problems. It is therefore crucial to monitor the reform's impact on the quality of service provision. **Substantial progress:** in addition to the reform of unemployment benefits and employment protection legislation, which are supposed to have a positive effect on labour mobility, a decrease in labour segmentation is scheduled to be implemented from July of this year (parts of employment protection legislation) until January 2016 (decrease of the maximum duration of unemployment benefits).		transition will be supported by the government. **Some progress**: Important tax measures to provide incentives to work have been implemented. This includes increasing labour tax credits for lower incomes and simplifying child schemes in a way that makes working more attractive, especially for single parents. In September 2014, a comprehensive reform of the Dutch tax system was announced. This reform, which could include a tax shift from labour to other forms of taxation, which are less detrimental to the Dutch economy, such as taxation of property, environment and consumption, still needs to be elaborated. **Some progress**: Reforms of the unemployment benefit system and employment protection legislation have been adopted and will be gradually implemented in the course of 2015. The way these reforms affect labour market mobility and reduce labour market duality remains to be seen. **No progress**: As regards wage developments, the government has made clear that this is solely a task for the social partners. No national policies will be implemented in this field.

AT	Country Specific Recommendations 2013 **SGP: CSR 1 and MIP: CSR -**	Assessment of implementation of CSR 2013 **(based on COM staff documents)**	Country Specific Recommendations 2014 **SGP: CSR 1 and MIP: CSR -**	Assessment of implementation of CSR 2014 **(based on COM staff documents)**
	1. Implement the budget for the year 2013 as envisaged so as to correct the excessive deficit in a sustainable manner and **achieve the average annual structural adjustment effort specified in the Council recommendations under the Excessive Deficit Procedure**. After correction of the excessive deficit, pursue the structural adjustment effort at an appropriate pace so as to **reach the MTO by 2015**. Streamline fiscal relations between layers of government, for example simplifying the organisational setting and aligning spending and funding responsibilities.	**Some Progress:** **Fully implemented** the recommendation for corrective the excessive deficit in a sustainable manner; **No progress** has been made towards pursuing a structural adjustment consistent with the requirement of the pact. The achievement of the MTO is still envisaged in 2016. **Some progress** has been made to streamline fiscal relations among layers of government	**1.** Following the correction of the excessive deficit, **reinforce the budgetary measures** for 2014 in the light of the emerging gap of 0,5 % of GDP based on the Commission services 2014 Spring forecast and after taking into account additional consolidation measures announced by Austria, pointing to a **risk of significant deviation relative to the preventive arm of the Stability and Growth Pact requirements**. In 2015, significantly strengthen the budgetary strategy to ensure that the medium-term objective is reached and, thereafter, maintained, and ensure that the debt rule is met in order to keep the general government debt ratio on a sustained downward path. **Further streamline fiscal relations between layers of government**, for example by simplifying the organisational setting and aligning spending and funding responsibilities.	**Limited Progress** (this overall assessment of CSR 1 excludes an assessment of compliance with the Stability and Growth Pact). **Some progress** has been made to reinforce the budgetary measures for 2014. **Limited progress** on strengthening the budgetary strategy for 2015. **No progress** on streamlining fiscal relations between layers of government.
	2. Bring forward the harmonisation of pensionable age for men and women, increasing the effective retirement age by aligning **retirement age** or pension benefits to changes in life expectancy implement and monitor the recent reforms restricting access to early retirement and further improve older workers' employability in order to	**Some progress:** **No progress** has been made towards equalising the retirement age for women's and men. **Substantial progress** in restricting access to early retirement, improving the process of reintegration into the workforce and	**2.** Improve the **long-term sustainability of the pension system**, in particular by bringing forward the harmonisation of the statutory retirement age for men and women, by increasing the effective retirement age and by aligning the retirement age to changes in life expectancy. Monitor the implementation of recent reforms	**Some Progress:** **Some progress** has been made on increasing the effective retirement age, through recent reforms restricting access to early retirement. However, other measures to make the pension system more sustainable in the long term are lacking.

	raise the effective retirement age and the employment rate of older workers.	offering opportunities for re-training. Some progress has also been made in improving older workers' employability, in particular by facilitating reintegration into the workforce and offering opportunities for re-training.	restricting access to early retirement. Further improve the **cost effectiveness and sustainability of healthcare and long-term care services.**	**Some progress** on improving the cost-effectiveness and sustainability of healthcare and long-term care services by continuing to implement healthcare reform.
	3. Take new measures to increase the **labour market** participation of women, namely by further improving child care and long-term care services and address the high gender pay and pension gaps. Fully use the labour market potential of people with a migrant background by continuing to improve the recognition of their qualifications and their education outcomes. Reduce the **effective tax** and social security burden on labour for low-income earners in a budget-neutral way by relying more on other sources of taxation less detrimental to growth, such as recurrent property taxes.	**Some Progress:** **Some progress** has been made in improving childcare and long-term care services while limited progress has been made to address the high gender pay and pension gaps. **Some progress** has been made towards better utilisation of the labour market potential of people with a migrant background. Advisory services offering guidance on the recognition process have been improved but further simplification of the whole recognition process as well as improvement of the general labour market conditions for people with a migrant background is needed. So far, only **limited progress** can be reported in terms of reducing the tax burden for low-income earners and shifting it to recurrent property taxes.	**3.** Reduce the high tax wedge on labour for low-income earners by **shifting taxation** to sources less detrimental to growth, such as recurrent taxes on immovable property, including by updating the tax base. Reinforce measures **to improve labour market prospects** of people with a migrant background, women and older workers. This includes further improving childcare and long-term care services and the recognition of migrants' qualifications. **Improve educational outcomes** in particular for disadvantaged young people including those with a migrant background, by enhancing early childhood education and reducing the negative effects of early tracking. Further improve strategic planning in higher education and enhance measures to reduce dropouts.	**Limited Progress:** **No progress** on reducing the tax wedge on labour, although a forthcoming reform has been announced for next spring. **Some progress** on older workers' labour market participation. Austria has made some progress, especially on improving measures to make individual older workers more employable. **Some progress** on improving the labour market prospects of people with a migrant background, through improvements in the recognition progress and efforts to make the Austrian labour market more attractive to highly qualified migrants. **Limited progress** on increase of labour market prospects of women. **Some progress** on increasing provision of childcare facilities and long-term care services. **Limited progress** on further raising the educational achievement of

				disadvantaged people by improving education and higher education and reducing the negative impact of early tracking. **<u>Limited progress</u>** on further improving strategic planning in higher education and on cutting the drop-out rate.
	4. Effectively implement the **recent reforms of the health care system** to make sure that the expected cost efficiency gains materialise. Develop a financially sustainable model for the provision of long-term care and put a stronger focus on prevention, rehabilitation and independent living.	**Some Progress:** **<u>Some progress</u>** has been made in the implementation of healthcare reform, although important challenges are yet to be addressed, in particular reducing the level of in-patient treatment and ensuring the long-term sustainability of healthcare services. Some progress has been made in improving the cost-effectiveness of public spending on healthcare. **<u>Some progress</u>** has been made to ensure the provision of long-term care in the medium term but additional effort to improve the sustainability of the sector in the long term is needed.		
	5. Improve educational outcomes, in particular of disadvantaged young people, including by enhancing early childhood education and reducing the negative effects of early tracking. Further improve strategic planning in higher education and enhance measures to **reduce drop- outs**.	**Some Progress:** **<u>Some progress</u>** has been made in addressing the CSR on education. Austria has taken several measures. Educational achievement has improved slightly, but socio-economic background continues to have a significant influence and insufficient emphasis is put on		

		preventing early school leaving at an early stage. A nationwide strategic approach for high-quality early-childhood education is needed. **Some progress** can be reported in the area of higher education. The effective implementation of the higher education plan in operation until 2021 requires close monitoring. This plan can be considered as an instrument for improving coordination but it does not provide a comprehensive strategic framework for the development of higher education.		
	6. Further strengthen the powers and resources of the **federal competition authority** and monitor the implementation of the competition law reform. Remove excessive barriers for service providers. This includes reviewing whether existing restrictions on entry and conduct in regulated professions are justified by general interest and fostering competition notably in the railway sector.	**Limited Progress:** **Limited progress** has been made in strengthening the powers of the competition authority, as it remains understaffed. **Limited progress** has been made in removing excessive barriers preventing service providers from entering the market. No general review exercise has taken place. Austria is however taking part in a mapping of regulated professions being carried out by the Commission (a legal obligation under the revised Professional Qualifications Directive). **No progress** in promoting competition in the railway sector. No measures have been taken.	**4. Remove excessive barriers for services providers,** including as regards legal form and shareholding requirements and with respect to setting up interdisciplinary services companies. Review whether restrictions on entry and conduct in regulated professions are proportionate and justified by general interest. Identify the reasons behind the low value of public contracts open to procurement under EU legislation. Substantially strengthen the resources of the Federal Competition Authority.	**Limited Progress:** **No progress**: Austria has not made reform progress over the reporting period, including as regards legal form and shareholding requirements and interdisciplinary service activities. Still no broad review of the existing restrictions. **Limited progress**: Austria is playing an active part in the mutual evaluation for which the Directive amending the Professional Qualifications Directive provides. However, no major changes can be expected before the evaluation is completed in January 2016. More generally, there seems to be limited political will to implement substantive reforms in this area. **No progress**: Austria has not yet

				taken any action to strengthen the resources of the Federal Competition Authority. Owing to budgetary constraints and a lack of political will, no future actions are planned.
	7. With a view to maintaining financial stability continue to closely oversee the nationalised and partly **nationalised banks** and speed up their **restructuring**.	**Some Progress:** **Some progress** has been made as regards the restructuring of nationalised and partially nationalised state-owned banks in 2013, but the overall situation of these banks (especially of Hypo Alpe Adria) remains difficult.	**5.** Continue to closely oversee and advance effectively the orderly restructuring of the nationalised and partly **nationalised banks**.	**Substantial Progress:** The bad bank of Hypo Alpe-Adria, Heta Asset Resolution, was formally set up at the beginning of November 2014. The sale of SEE subsidiaries of Hypo Alpe Adria to Advent International and EBRD was finalised on 23 December 2014. As part of its restructuring plan, OEVAG sold its largest subsidiary (Volksbanken Romania) to Banca Transilvania in December 2014.

PT	Country Specific Recommendations 2013	Assessment of implementation of CSR 2013 (based on COM staff documents)	Country Specific Recommendations 2014 SGP: CSR 1 and MIP: CSR -	Assessment of implementation of CSR 2014 (based on COM staff documents)
	To avoid duplication with measures set out in the Economic Adjustment Programme, there are no additional recommendations for Portugal.	Since the end of the macroeconomic adjustment programme, which will be legally concluded on 28 June 2014 Portugal will be under Post Programme Surveillance (in accordance with Regulation 472/2013) and integrated fully in the European Semester process.	**1.** Implement the necessary **fiscal consolidation measures** for 2014 so as to achieve the fiscal targets and prevent the accumulation of new arrears. For the year 2015, implement a **revised budgetary strategy in order to bring the deficit to 2,5 % of GDP,** in line with the target set in the Excessive Deficit Procedure Recommendation, while achieving the required structural adjustment. Replace consolidation measures which the Constitutional Court considers unconstitutional by measures of similar size and quality as soon as possible. The correction of the excessive deficit should be done in a sustainable and growth-friendly manner, limiting recourse to one-off/temporary measures. After the correction of the excessive deficit, pursue the planned annual structural adjustment towards the medium-term objective, in line with the requirement of an annual structural adjustment of at least 0,5 % of GDP, more in good times, and ensure that the debt rule is met in order to put the high general debt ratio on a sustainable path. **Prioritise expenditure-based fiscal consolidation and increase further the efficiency and quality of public expenditure**. Maintain tight	**Some Progress** (this overall assessment of CSR 1 excludes an assessment of compliance with the Stability and Growth Pact): **Some progress** in fiscal structural measures. **Limited progress** in developing new comprehensive measures as part of the ongoing pension reform, while some progress in proceeding with hospital reforms. **Some progress** in reviewing the tax system. The PIT reform, the green taxation reform and additional measures associated with the CIT reform were adopted. Further improvements have been observed in the operationalisation of the e invoice system, tax administration reform and other antifraud measures announced in the 2015 budget. **Some progress** in improving the fiscal framework. The Budgetary Framework Law reform is expected in Q1-2015. A revision of the Commitment Control Law was approved in January, further strengthening budget control. **Some progress** in implementing the single wage and supplement scales.

			control of expenditure in central, regional and local administration. Continue the restructuring of the state-owned enterprises. Develop by the end of 2014 new comprehensive measures as part of the ongoing pension reform, aimed at improving the medium-term sustainability of the pension system. Control healthcare expenditure growth and proceed with the hospital reform. Review the tax system and make it more growth-friendly. **Continue to improve tax compliance and fight tax evasion** by increasing the efficiency of the tax administration. Strengthen the system of public financial management by swiftly finalising and implementing the comprehensive reform of the Budgetary Framework Law by the end of 2014. Ensure strict compliance with the Commitment Control Law. Effectively implement single wage and supplements' scales in the public sector from 2015 onwards.	The Law on Single Wage Scale (TRU) was published in September 2014 and has to be applied from January 2015. The Decree-law on the Single Supplements Scale (TUS) is under preparation.
			2. Maintain **minimum wage developments** consistent with the objectives of promoting employment and competitiveness. Ensure a wage setting system that promotes the alignment of wages and productivity at sectoral and/or firm level. Explore, in consultation with the social partners and in accordance with national practice, the possibility of mutually agreed firm-level temporary suspension of	**Some Progress:** **Limited progress** in minimum wage developments. In October 2014 the government raised the minimum by 4.1% to be effective between 1 October 2014 and 31 December 2015. The increase occurred after agreement with the social partners. At the same time employers' social security contributions were cut from 23.75%

			collective agreements. By September 2014, present proposals on mutually agreed firm-level temporary suspension of collective agreements and on a revision of the survival of collective agreements.	to 23% for employees who had been on minimum wage without interruption, since May 2014. **Some progress** in ensuring a wage setting system that promotes the alignment of wages and productivity at sectoral and/or firm level: specific measures are described below. **Limited progress** as regards the introduction of mutually agreed firm-level temporary suspension of collective agreements. Legislation was adopted in August 2014 and enacted in September 2014: however, new rules require agreement from the original signatories of the sectoral agreement, making implementation more difficult. **Full implementation** regarding the presentation of proposals on the survival of collective agreements. In August 2014 the authorities have passed legislation reducing the survival period of collective agreements expired and not renewed. **No progress** concerning criteria for the extension of collective agreements: in June 2014 less stringent criteria for the extension of collective agreements have been introduced compared to those required since 2012. The potential generalisation of extensions of

				collective agreements is likely to hinder efficient wage adjustment at firm level.
			3. Present, by March 2015, an independent **evaluation of the recent reforms in the employment protection system**, together with an action plan for possible further reforms to tackle labour market segmentation. Pursue the ongoing reform of active labour market policies and Public Employment Services aimed at **increasing employment and labour participation rates**, specifically by improving job counselling/job search assistance and activation/sanction systems with a view to reducing long-term unemployment and integrating those furthest away from the labour market. **Address the high youth unemployment**, in particular by effective skills anticipation and outreach to non-registered young people, in line with the objectives of a youth guarantee. Ensure adequate coverage of social assistance, including the minimum income scheme, while ensuring effective activation of benefit recipients.	**Some Progress:** **No progress** in presenting, by March 2015, an independent evaluation of the recent reform in employment protection legislation. **Some progress** in terms of active labour market policies implementation. However, the effectiveness of employment and training measures need to be carefully monitored. As regards the PES, despite progress achieved with the PES reform, the caseload remains very high. **Some progress** in implementing the Youth Guarantee (YG) and engaging all relevant governmental and non-governmental partners in its implementation. However, substantial challenges remain, notably the capacity of PES as coordinator of the YG to engage the YG network partners and the need to reach out to all non-registered young people, not in employment, education or training (NEETs). **No progress** in ensuring adequate coverage of social assistance, including the minimum income scheme.

			4. Improve the quality and labour-market relevance of the **education system** in order to reduce early school leaving and address low educational performance rates. Ensure efficient public expenditure in education and reduce skills mismatches, including by increasing the quality and attractiveness of vocational education and training and fostering cooperation with the business sector. Enhance cooperation between public research and business and foster knowledge transfer.	**Some Progress:** **Some progress** in improving the quality and labour-market relevance of the education through: the reform of curricula; the reform of teachers statutes; the development of the monitoring tool: the further development of the evaluation system for teachers and schools; the diversification of pathways implemented with new Vocational Education Training (VET) programs; an increased number of hours of on the job training in VET options; a National skills Strategy; the creation of TESPs courses (more than 90 authorisations so far but most of the beneficiaries have not yet started the programmes in practical terms). **Some progress** towards a more efficient public spending through the rationalisation of the schools network and a new funding formula to provide more incentives to better performing schools. **Limited progress** in improving cooperation between public research and business and encouraging knowledge transfer. There are still weak and scattered policy incentives for the cooperation between public research performing organisations and businesses. The role of the Innovation Agency has been reformulated and its governance has

				been streamlined. However, the announced action plan has not been implemented yet.
			5. Monitor banks' liquidity position and potential capital shortfalls, including by on-site thematic inspections and stress-testing. Assess the banks' recovery plans and introduce improvements to the evaluation process where necessary. Implement a comprehensive strategy to reduce the corporate debt overhang and reinforce efforts to widen the range of financing alternatives, including for early stages of business developments, by enhancing the efficiency of the debt restructuring tools (particularly PER and SIREVE) for viable companies, introducing incentives for banks and debtors to engage in restructuring processes at an early stage and improving the availability of financing via the capital market. Ensure that the identified measures support the reallocation of financing towards the productive sectors of the economy, including to viable SMEs, while avoiding risks to public finances and financial stability. Implement, by end September 2014, an early warning system mainly with supervisory purposes, to identify firms, including SMEs, with a high probability of default due to an excessive level of indebtedness, and which can, indirectly, promote early	**Substantial Progress:** **Substantial progress** in monitoring banks' liquidity and capital position and assess banks' recovery plans. Portugal has announced the following measures: − Follow-up by Banco de Portugal to the Comprehensive Assessment exercise − Analysis of pillar 1 and 2 regulatory measures to promote corporate debt restructuring or sale/transfer of underlying exposures **Substantial progress** in implementing measures to reduce corporate debt overhang. Portugal has adopted the Strategic plan for Corporate Debt Restructuring (published) **Some progress** in widening the range of financing alternatives for corporates: formal establishment of Development Financial Institution (DFI), intended to help address market failures which hamper SME access to finance (company licence issued in September 2014) The early warning system is fully implemented. Portugal has

			corporate debt restructuring.	implemented the following measures: early warning system for defaults; − overhaul of corporate insolvency and restructuring framework, with stronger focus on recovery of firms rather than liquidation
			6. Implement the second and third packages of measures in the energy sector aimed at reducing energy costs for the economy, while eliminating the electricity tariff debt by 2020, and closely monitor implementation. Improve the cross-border integration of the energy networks and speed up implementation of the electricity and gas interconnection projects. Implement the comprehensive long-term transport plan and the "chronogram" setting out the ports sector reforms. Complete the transports concessions for the metropolitan areas of Lisbon and Oporto. Ensure that the renegotiations of the existing port concessions and the new authorisation schemes are performance-oriented and in line with internal market principles, in particular procurement rules. Ensure that the national **regulatory authority for transport (AMT)** is fully independent and operational by the end of September 2014. Ensure the financial sustainability of the state-owned enterprises in the transport sector. Strengthen	**Some Progress:** **Some progress** in implementing the second and third packages in the energy sector. Portugal has implemented the enhanced electricity social tariff (part of the third package of energy sector measures) and approved the extension of the special energy levy (included in the 2015 budget). Despite some progress, excessive rents still exist and also the electricity tariff deficit needs to be further addressed, through a set of credible additional measures. Taxes on electricity have risen for customers in recent years, mitigating progress made through interconnections that lower prices thanks to competition. Overall the real cost of energy has fallen in Portugal. Some progress has been made in improving the cross-border integration of the energy networks. On 6 January 2015 in Brussels, the Spanish, French and Portuguese transmission system operators signed a joint strategy paper to develop interconnection between the Iberian Peninsula and the internal

			efficiency and competition in the railways sector, by implementing the plan for the competitiveness of CP Carga, after the transfer of the freight terminals while ensuring the management independence of the state-owned infrastructure manager and railway undertakings.	electricity market. The joint strategy paper lists shared goals and indicates which options for projects have the potential to increase the current interconnection capacity. This strategy will be important in reaching the minimum interconnection level of 10% agreed by the European Council in October 2014. **Limited progress** in implementing the long-term transport plan and ports sector chronogram. These measures are longer term so they are likely to be only partially completed by the summer of 2015. Limited progress has been observed in transports concessions for the metropolitan areas of Lisbon and Porto. These measures have incurred significant delays as well. The tender process for the Porto public transport concessions was launched over the summer and has been concluded in January 2015, several months later than planned. The tender for Lisbon is expected to be launched by the end of first quarter of 2015, just after the PSO contracts are signed. Limited progress has been made in the port concession renegotiations that have proceeded at a slow pace and will likely continue to do so; as a result, completion by the summer of 2015 is unlikely. No progress has been made in ensuring that the Transport regulator is fully operational (the

				recommended deadline was the end September 2014). On 2 February 2015, a new amendment to the AMT bylaw was published. The amended legislation extends the AMT's establishment period (due by the end of September 2014). The new provision states that AMT is legally able to carry out its assignments from February 2015. Limited progress has been observed in the railways sector. The merger between EP/REFER is ongoing. Further progress was made with staff reductions in transport sector SOEs; this will continue in 2015. The planning commission for the EP-REFER merger was nominated in August 2014 (intended to improve transport SOEs' financial sustainability).
			7. Further improve the evaluation of the **housing market,** including by setting up, by the end of 2014, a more systematic monitoring and reporting framework and issue a comprehensive report on the shadow economy in that market. Continue efforts to carry out further inventories of regulatory burdens with a view to including, by March 2015, sectors not yet covered. Adopt and implement, by the end of September 2014, the outstanding licensing decrees and sectoral amendments. **Remove, by the end of September 2014, remaining restrictions in the professional services sector** and enact the	**Limited Progress:** **No progress** by the end of 2014 (recommended deadline) in further improving the evaluation of the housing market, including by setting up, by the end of 2014, a more systematic monitoring and reporting framework and issue a comprehensive report on the shadow economy in that market. At the end of January 2015, the authorities published a decree establishing a working group tasked with implementing a monitoring model of the housing market. The study on the shadow economy in the Portuguese rental market is now

			professional bodies' amended by-laws which have not yet been adopted under the macroeconomic adjustment programme. **Eliminate payment delays by the public sector**. Ensure adequate resources of the national regulators and competition authority.	expected to be issued at the end of August 2015 **Some progress** in continuing efforts to carry out further inventories of regulatory burden with a view to including, by March 2015 sectors not yet covered. Under the SIMPLIFICAR initiative, Portugal is implementing a road map to reduce regulatory burdens. Work is ongoing, although with some delay, to further improve the business-friendliness of the regulatory environment. This includes approving the methodology for impact assessment of legislation which includes the "one-in/one-out" rule and broadens the scope of the existing inventory of the most burdensome regulations to include new sectors, such as tourism, construction and agriculture. To this end, a governance framework for centralised regulatory simplification activities is being set up, based on inter-ministerial coordination and stakeholder engagement mechanisms. **No progress** by the end-September 2014 (recommended deadline) in adopting and implementing all outstanding sectoral amendments. Some outstanding sectoral amendments, precious metals, mining and some legislation on territorial planning, have not yet been implemented. There is no

				political will to approve a new law on universities. Some progress was made after the recommended deadline: − the law on land registration experts was published on 9 January 2015; − the new commercial licensing regime was published on 16 January 2015; − the legal framework for the single environmental license was approved by the Council of Ministers at the end of January 2015. − copyright collective management societies, electricians, bullfighters, gas installation services and professionals, general law on construction, general law on construction professionals were all approved by the Council of Ministers and sent to Parliament during in 2014. All were approved by the Parliament at first reading. **No progress** by the end of September 2014 (recommended deadline) in removing, the remaining restrictions in the professional services sector. However, limited progress has been made recently on removing restrictions in the professional service sector. The general law on professional partnerships was

				approved in the Council of Ministers of 18/12/2014 and sent to Parliament for enactment. No progress by the end of September 2014 (recommended deadline) in enacting the professional bodies' amended bylaws. None of the outstanding 18 bylaw of highly regulated professions has been implemented. 9 draft bylaws for highly regulated professions are reportedly finalised but have not yet been approved by the Council of Ministers. The remaining 9 draft bylaws are experiencing delays, mainly due to non-compliance with the framework law for highly regulated professions and with EU law (particularly the bylaws from the Ministry of Justice for lawyers, solicitors, enforcement agents, notaries) **No progress** in eliminating payment delays by the public sector. **Some progress** in ensuring that the national regulators and competition authority have adequate resources. The Competition bylaw was published in August 2014. As regards the outstanding NRAs bylaws, the CMVM and ISP statutes were published on 6 January 2015; ANAC and ANACOM bylaws were approved by the Council of Ministers at the end of December 2014. A new amendment to the AMT bylaw was published on 2

				February 2015.
			8. Continue to rationalise and modernise central, regional and local public administration. Implement the reforms to **enhance the efficiency of the judicial system and increase transparency**. Step up efforts to evaluate the implementation of reforms undertaken under the macroeconomic adjustment programme as well as planned and future reforms. In particular, insert mandatory systematic ex ante and ex post assessments in the legislative process. Set up a functionally independent central evaluation unit at government level, which assesses and reports every six months on the implementation of these reforms, including consistency with the ex ante impact assessment, with corrective action if needed.	**Some Progress:** **Some progress** in rationalising and modernising central, regional and local public administration. Portugal announced a global strategic plan to rationalize and reduce ICT costs in public administration (at early stages of defining scope and implementing roadmaps). In the context of the SIMPLIFICAR initiative, Portugal is: − implementing the road map for the reduction of regulatory burden; − further making the regulatory environment more business friendly, which includes approving the methodology for assessing the impact of legislation including the "one-in/one-out" rule; − broadening the scope of the existing inventory of the most burdensome regulations to cover new sectors, such as tourism, construction and agriculture. A centralised governance framework for regulatory simplification activities is being set up for this purpose, based on interministerial coordination and stakeholder engagement mechanisms. − Portugal has also implemented the Municipality Support Fund (FAM), a debt work-out mechanism for

				over-indebted municipalities which was formally established in August 2014. Preparations have started for the 2015 roll-out of the "Aproximar" strategy (designed to reorganise the public services network at local level). **Some progress** has been made in enhancing the efficiency of the judicial system and increasing transparency. The code of civil procedures has been adopted but no data are yet available on the clearance rate and disposition time under the new regime. Judicial reorganisation has had a slow start. It remains to be seen the real benefits in the coming years. IT applications for the Tax and Administrative Courts are still underdeveloped. Some progress has been made on improving transparency and combating corruption. Measures have been taken to further improve transparency in public procurement and private-public partnerships. Some challenges remain in implementing transparency requirements by local and regional authorities and in effectively applying the existing legal framework for the prevention of corruption and conflict of interests. **No progress** has been made in evaluating the implementation of reforms undertaken under the

				macroeconomic adjustment programme as well as planned and future reforms. No progress was observed in setting up a functionally independent central evaluation unit.

SI	[Country Specific Recommendations 2013](#) SGP: CSR 1 and MIP: CSR 1, 2, 3, 4, 5, 6, 7, 8, 9	[Assessment of implementation of CSR 2013](#) (based on COM staff documents)	[Country Specific Recommendations 2014](#) SGP: CSR 1 and MIP: CSR 1, 2, 3, 4, 5, 6, 7, 8	[Assessment of implementation of CSR 2014](#) (based on COM staff documents)
	1. For the year 2013 and beyond, implement and reinforce the budgetary strategy, supported by sufficiently specified structural measures, to ensure the correction of the **excessive deficit by 2015 in a sustainable manner and the improvement of the structural balance specified in the Council recommendation under the EDP**. After the correction of the excessive deficit, pursue a structural adjustment effort that will enable Slovenia to **reach the MTO which should be set in line with the Stability and Growth Pact by 2017**. Durable correction of the fiscal imbalances requires the implementation of ambitious structural reforms, which would increase the adjustment capacity of the economy and boost potential growth and employment. Safeguard growth-friendly spending, adopt measures to improve tax compliance and implement measures on the expenditure side underpinned by systematic reviews of public expenditure at all government levels. To improve the credibility of consolidation, complete the adoption of a general government budget balance/surplus rule in structural terms, **make the**	**Limited Progress:** **<u>Limited progress</u>** in safeguarding fiscal sustainability. After the excessive deficit procedure has been extended to 2015, the government implemented several structural reforms both on the revenue side (increase in VAT rates as of July 2013 and other duties), and on the expenditure side (nominal public sector wages were temporarily cut by 1.25% in 2013, on top of the 3% cut from June 2012, and some allowances were also cut). The Commission stated that the draft budget for 2014-15 is in line with the Stability and Growth Pact rules, albeit with no margin. The consolidation of public finances is progressing slowly, predominantly through revenue increasing reforms without a thorough review of the expenditure side. **<u>Limited progress</u>** in safeguarding a durable correction of the fiscal imbalances. In May 2013, a constitutional amendment providing the basis for the general government budget balance rules was adopted. It was stipulated that the Fiscal Rules Act, which would detail the applicable concepts and	**1.** Reinforce the budgetary strategy with sufficiently specified structural measures for the year 2014 and beyond, to ensure **correction of the excessive deficit in a sustainable manner by 2015 through the achievement of the structural adjustment effort specified in the Council recommendation under the Excessive Deficit Procedure.** A durable correction of the fiscal imbalances requires a credible implementation of ambitious structural reforms to increase the adjustment capacity and boost growth and employment. After the correction of the excessive deficit, **pursue a structural adjustment of at least 0,5 % of GDP each year**, and more in good economic conditions or to ensure that the debt rule is met in order to put the high general government debt ratio on a sustained downward path. To improve the credibility of fiscal policy, complete the adoption of a general government budget balance/surplus rule in structural terms, **make the medium-term budgetary framework binding, encompassing and transparent,** and establish the necessary legal basis for a functioning fiscal council defining its remit within the	**Some Progress:** (**t**his overall assessment of CSR 1 excludes an assessment of compliance with the Stability and Growth Pact): **<u>Progress</u>** has been made regarding the adoption of the Fiscal Rules Act (passed the first reading in the parliament in January 2015 and is expected to be adopted in Q1 2015). The Public Finance Act will be amended within six months of the adoption of the Fiscal Rules Act and will contain detailed provisions defining the drafting, implementation and monitoring of the budget of all general government institutional units. **<u>Some progress</u>** has been made regarding the expenditure review in the healthcare sector. The authorities have indicated that the review will be undertaken in cooperation with the European Observatory for Health policies and the World Health Organisation. A draft scope for the review has been prepared and a workshop was held in January 2014 to finalise the proposal. It is intended that the project will be wider than just expenditure and will include; (i) an analysis of the financing of the

	medium-term budgetary framework binding, encompassing and transparent, and strengthen the role of independent bodies monitoring fiscal policy by end 2013. Take measures to gradually reduce the contingent liabilities of the state.	mechanisms, would be adopted within six months (by November 2013), but it has been delayed.	budgetary process and introducing clear procedural arrangements for monitoring budgetary outcomes as soon as possible. Launch a comprehensive review of expenditure covering state and local government levels, direct and indirect budget users and municipality-owned providers of utilities and services in the area of healthcare by the end of 2014 with a view to realising budgetary savings in 2015 and beyond.	health system, (ii) an expenditure review (ii) a review of benefit basket and (iv) an assessment of health technology. The expenditure review and the National Healthcare Resolution will be a base for comprehensive healthcare reform.
	2. Strengthen the **long-term sustainability of the pension system** beyond 2020 by further adjusting all relevant parameters, including through linking the statutory retirement age to gains in life expectancy, while preserving the adequacy of pensions. Contain age-related expenditure on long-term care and improve access to services by refocusing care provision from institutional to home care, sharpening targeting of benefits, and reinforcing prevention to reduce disability/ dependency.	**Limited Progress:** **Limited progress** in safeguarding the sustainability and adequacy of its pension system. The pension reform began in January 2013, and aimed to ensure the medium-term sustainability of pension system. Evaluation of the reform was presented in April 2014, showing first positive results. A White Book (due by the end of 2014) will launch a public consultation on the long-term sustainability of the pension system post-2020. Apart from the evaluation, no further action has been taken. **Limited progress** in reforming the system of long-term care: legislation is expected to be adopted before the end of 2014. However, there is a risk that the act will be delayed due to its link to the reform of the health insurance scheme (its funding) and the review of public spending in the	**2.** Based on the public consultation, agree measures to ensure the **sustainability of the pension system** and adequacy of pensions beyond 2020, encompassing adjustments of key parameters, such as linking the statutory retirement age to gains in life expectancy and encouraging private contributions to the second pillar of the pension system. Contain age-related expenditure on long-term care by targeting benefits to those most in need and refocusing care provision from institutional to home care.	**Limited Progress:** **Some progress** has been made in alleviating the pressures on the mid-term sustainability and adequacy of the pension system but key parameters still need to be adjusted. In January 2015 the results of the evaluation of the impact of the 2013 pension reform were published. Fiscal savings have been realised over 2013-14 and further containment of the pension-related expenditures is expected for the period 2014-20. Elements of a further pension system reform are to be discussed in the context of a White Book, due to be published in mid-2015. The Legal act for the Establishment and Functioning of the Demographic Fund is expected to be adopted in June 2015. **No progress** has been made regarding the long term care reform. The blueprint for the long term care

		healthcare sector, which is being negotiated with the World Bank. Discussions are on-going since 2002 and there are limited expectations that the act will be finalised in 2014. A sharp increase in government debt (Spring forecast: 80.4% in 2014) creates new challenges and risks that require durable policy action to ensure debt sustainability.		reform was adopted in September 2013. The adoption of the law will be postponed to the end of 2015 in order to match it with the reform of health insurance schemes.
	3. Ensure that wage developments, **including the minimum wage, support competitiveness and job creation**. Monitor closely the effects of the **recent labour market reform** and if necessary identify the areas where further action is needed to foster job creation and tackle segmentation, including through the regulation for student work. Take further measures to increase employment of young tertiary graduates, older persons and the low-skilled by focusing resources on tailor-made active labour market policy measures while improving their effectiveness. **Address the skills mismatch** by improving the attractiveness of the relevant vocational education and training programmes and by further developing cooperation with the relevant stakeholders in assessing labour market needs.	**Limited Progress:** **Limited progress** in ensuring that wage developments support competitiveness and job creation. No amendments to the act on the minimum wage have been made; the minimum wage now stands at EUR 789.15 and is indexed to inflation. Social partners are in a deadlock, and the government remained inactive. A new social agreement, which envisages a comprehensive approach to labour costs, is being negotiated. Gross wages fell slightly in 2013, mostly as a result of wage restraint in the public sector, while wages in non-tradable sector continued to grow. **Some progress** in labour market reform. A reform was adopted in May 2013 and an evaluation is was prepared in April 2014, which showed the first positive developments. The Student Work Act is to be adopted by summer 2014. It introduces social	**3.** Following consultation with social partners and in accordance with national practices, develop a comprehensive Social Agreement by the end of 2014 ensuring that **wage developments, including the minimum wage, support competitiveness, domestic demand and job creation**. Redefine the composition of the minimum wage and review its indexation system. Take measures for further decreasing segmentation, in particular addressing the efficiency of incentives for hiring young and older workers and the use of civil law contracts. Adopt the Act on Student Work. Prioritise outreach to non-registered young people ensuring adequate public employment services capacities. To increase employment of low-skilled and older workers, adapt the working environment to longer working life and focus resources on tailor-made active labour market policy measures, while improving their effectiveness. **Address skills**	**Substantial Progress:** **Some progress** has been made regarding wages, with the exception of the minimum wage. The Social Agreement has been fully accomplished (concluded in January 2015). The Social Agreement establishes the basis for private sector wage setting on ground of collective agreements, inflation and a share of sectorial productivity while growth of public sector wages has to lag behind private sector wage growth. The Social Agreement does not address the minimum wage. The evaluation of the 2013 labour market reform shows that **some progress** has been made in addressing labour market segmentation. Limited progress has been made in addressing the employment of low-skilled and older workers. The Student Work act has been

		contributions, making student work more expensive. It is not clear what kind of an impact this would act have on the position of young graduates on the labour market. The draft amended Higher Education Act aims to tighten student-status eligibility. However, the timeline for adoption of this act is unclear. **Limited progress** in implementing tailor-made active labour market policy measures; it would focus mostly on the young unemployed (up to the age of 30) by using the Youth Guarantees (action plan adopted in January 2014). Some tailor-made active labour market policy measures have been introduced, however their effectiveness still needs to be ascertained. **Limited progress** on vocational education and training and on developing ways of cooperating with stakeholders in assessing labour market needs.	**mismatches** by improving the attractiveness of vocational education and training and by further developing cooperation with the relevant stakeholders in assessing labour market needs.	**fully addressed**. The draft Act on Occasional Student Work was incorporated into the December 2014 Public Finance Balance Act and entered into force in February 2015. **Substantial progress** has been made regarding the Youth Guarantee Programme. The implementation of Youth Guarantee Programme is on track. 22,000 young are included in the measures; 90% of them received an offer from the public employment services **Substantial progress** has been made in addressing skills mismatch. In 2014 a proposal for the Act on the Slovenian Qualifications Framework was prepared and the Scholarship Act came into force. Scholarships for deficient professions will be awarded starting from January 2015. The employment services are preparing a bi-annual forecast of deficient occupations in parallel to the establishment of the National Career Point.
	4. Take the necessary steps, with input from European partners, to contract an independent **external adviser in June 2013 to conduct a system-wide bank asset quality review**. Complete this exercise in 2013, with faster progress in the cases of the two banks already subject to the state aid procedure, to	**Substantial Progress:** **Fully addressed** the recommendation regarding the independent bank asset quality review and stress test, which were carried out in the second semester of 2013 and covered 70 % of the banking sector. The results were	**4. Complete the privatisation of NKBM** in 2014 as planned, prepare Abanka for privatisation in 2015, continue the prompt implementation of restructuring plans of the banks in receipt of State aid and the necessary consolidation of the banking sector. Based on the lessons from the asset quality review and	**Substantial Progress:** **Substantial progress** has been made regarding the privatisation of NKBM. Binding offers for NKBM have been submitted. Negotiations are in the final stage and the government aims to sign the sales agreement in the first quarter of

	accelerate their balance sheet repair. Stand ready to provide additional capital should the asset transfer or asset quality review reveal additional shortfalls. All measures, including objective assessments of capital needs, transfer of **assets to Bank Asset Management Company**, asset protection scheme, operational implementation of the restructuring measures should be implemented in full compliance with state aid rules in case state aid is involved. In parallel, develop by March 2014 and implement a comprehensive sector strategy to ensure arms-length management of reformed banks and to substantially improve governance, risk management and profitability in the sector, including through consolidation where appropriate. Swiftly proceed with preparations for the announced **privatisation of NKBM and establish, by September 2013**, an ambitious timetable for the divestment of direct and indirect state shareholdings of banks.	published on 12 December 2013. Transfers of non-performing loans took place after the Commission approved restructuring plans and state aid for the NLB and NKBM banks (18 December 2013). The given concessions were to fully privatise the NKBM and 75 % of the NLB. State-aid approval for the third largest bank, Abanka, is pending for the Commission's approval of the restructuring plan sent in mid-February 2014. **Fully addressed** the recommendation on the recapitalisation of banks. Based on the results of the exercise, the government provided a total of EUR 3.2 billion in December 2013. **No progress** regarding the situation of the Bank Asset Management Company (BAMC). The BAMC has been made operational but it lacks an asset management strategy and a business plan. **Limited progress** in privatising the NKBM (to be completed by the end of 2014).	stress test finalise the comprehensive action plan for banks in August 2014, including specific measures to improve governance, supervision, risk management, credit approval process and data quality and availability. Reinforce banks' capacity to work out non-performing loans by strengthening the internal asset management and restructuring units. **Clarify the mandate of the Bank Asset Management Company** by publishing a comprehensive management strategy and business plan by September 2014, detailing its role in restructuring of its assets, redemption targets, budgets, asset management plans and expected returns, while ensuring adequate resources.	2015. The privatisation process of Abanka is expected to be launched in January 2016 once the merger with Banka Celje is completed. The operational restructuring of the four major state-owned banks (NLB, NKBM, Abanka and Celje) and the wind-down of two smaller domestic banks are on track. **Substantial progress** has been made regarding further stabilisation of banking sector. The recapitalisation of Abanka was implemented in October 2014 and the recapitalisation of Banka Celje took place at the end 2014. **Substantial progress** has been made regarding the banking sector action plan. A comprehensive action plan for banks has been finalized and submitted to the Prime Minister office in January 2015. Bank of Slovenia has ensured follow-up of the shortcomings identified by the 2013 AQR and will resume on-site inspections in Q1-2015 to verify whether the recommendations have been implemented by banks. **Substantial progress** has been made regarding the banks' workout capacity. The major banks have reorganized and reinforced their work-out and restructuring units.

				<u>Substantial progress</u> has been made regarding the Bank Asset Management Company, which has set out its strategy and business plan and is fully operational. Certain amendments to the legislation still need to be adopted.
	5. Review the **bank regulatory framework** by end 2013, and based on this review, strengthen supervisory capacity, transparency and statistical disclosure.	**Limited Progress:** **<u>Fully addressed</u>** the recommendation on reviewing the bank regulatory framework by the end of 2013. However, it appears that reflection on the asset quality review and stress test results has been limited. The Bank of Slovenia stated that it would provide a report specifying the further steps to be taken. **<u>No progress</u>** on strengthening supervisory capacity, transparency and statistical disclosure. Despite CRD IV coming into force on 1 January 2014, the authorities have not adopted the necessary legislation (adoption is planned before summer 2014).	**8.** Take effective measures to fight corruption, enhancing **transparency and accountability**, and introducing external performance evaluation and quality control procedures.	**Some Progress:** **<u>Some progress</u>** has been made regarding the fight against corruption. The new government reiterated its commitment to fight corruption and adopted a new two year programme of 11 perennial measures in January 2015. **<u>Some progress</u>** has been made regarding the transparency and accountability. A comprehensive public-sector reform is in public consultation and is expected to be adopted by the end of February 2015. **<u>No progress</u>** has been made regarding report on performance evaluation and quality control procedures.
	6. Accelerate the reform of regulated services, including a significant reduction of entry barriers. **Improve the business environment**, including through ensuring the independence of and providing sufficient and autonomous financing to the **Competition Protection Agency**.	**Limited Progress:** **<u>Some progress</u>** in addressing the regulated professions; their number has been reduced from 323 to 262. The authorities have also made it easier to obtain business licences. **<u>No progress</u>** on improving its business environment (especially in	**7.** Reduce obstacles to **doing business** in Slovenia in key areas for economic development rendering the country more attractive to foreign direct investment particularly through accelerated liberalisation of regulated professions, reduction of administrative burden including leaner authorisation schemes.	**Some Progress:** **<u>Limited progress</u>** has been made regarding the promotion of FDI. The new FDI Strategy is expected to be adopted in Q1 2015. **<u>Some progress</u>** has been made regarding the deregulation of professions. The number of

		streamlining and shortening the time required to obtain necessary spatial planning and building permits, which are currently one of the most significant obstacles for foreign direct investment). **No progress** in ensuring sufficient and autonomous financing of the Competition Protection Agency, whose budget was cut by approximately 10 % in 2014, and it is subject to administrative investigations and a high degree of budgetary ex-ante oversight by the Ministry of Economy.	Ensure sufficient budgetary autonomy for the **Competition Protection Agency** and increase its institutional independence. Streamline priorities and ensure consistency between the 2011 Research and Innovation and the 2013 Industrial Policy Strategies with the upcoming strategies on Smart Specialisation and Transport, ensure their prompt implementation and assessment of effectiveness.	regulated professions has decreased from 323 to 242 **Some progress** has been made regarding the reduction of administrative burden. 25% of measures included in the Single document were implemented. **Substantial progress** has been made in ensuring sufficient budgetary autonomy for the Competition Protection Agency and in maintaining its institutional independence. **No progress** has been made regarding leaner authorisation schemes and the implementation of the National Research policy. **Some progress** has been made regarding the Smart Specialization Strategy. The adoption of the Strategy is foreseen in April 2015. **Some progress** has been made regarding the comprehensive Transport Strategy. Public and cross-border consultations on the draft strategy (dated 15 October 2014) were held and the draft is foreseen to be revised to reflect the relevant observations and comments received. The Strategy is expected to be adopted in September 2015. **Limited progress** has been made regarding the streamlining of

				priorities and ensuring consistency among the existing strategies.
	7. Build on previous efforts to further **reduce the length of judicial proceedings** at first instance in litigious civil and commercial cases and the number of pending cases, in particular enforcement cases.	**Some Progress:** **Some progress** in reducing the length of judicial proceedings: disposition times and case backlogs in overall litigious civil and commercial cases improved, as a consequence of the case management reforms (e.g. Triaza project) and other initiatives. However, the length of trials remains long and the same indicators have not shown a positive trend for enforcement cases.	**6. Finalise a corporate restructuring** master plan by the end of 2014 within clear priorities and effective implementation process. Set up a central corporate restructuring task force monitoring and coordinating the overall restructuring process, providing the necessary expertise, guidance and advice, and facilitating the negotiation process between all stakeholders involved. Establish a list of the most urgent restructuring cases, while maximising the recovery value for creditors. Promote the **use of the available legal mechanisms and international best practices** to all stakeholders in the restructuring process. Evaluate recent changes in the insolvency legislation by September 2014, being ready to introduce any additional necessary measure. Further reduce the length of **judicial proceedings** at first instance in litigious civil and commercial cases including cases under the insolvency legislation, and the number of pending cases, in particular enforcement and insolvency cases.	**Substantial progress:** The corporate restructuring master plan and the central task force have been both **fully addressed**. In December 2014 the restructuring master plan has been finalised. In January 2015 a centralised corporate restructuring task force was established to monitor and coordinate the overall restructuring process, to facilitate the negotiation process between all stakeholders involved, to promote the use of the available legal mechanisms and out-of-court solutions and to provide the necessary guidance and advice. **Substantial progress** has been made regarding the restructuring of most urgent restructuring cases. The evaluation of recent changes in the insolvency legislation has been **fully addressed**. In January 2015, the authorities presented the advanced version of the ongoing evaluation exercise of the laws adopted in 2013 which amended and complemented the insolvency law. The authorities do currently not see a need for further amendments to the insolvency framework. The key finding of the evaluation is that the new framework allows more restructuring opportunities to companies in financial difficulties.

				Some progress in reducing the length of judicial proceedings at first instance in litigious civil and commercial cases (incl. cases under the insolvency legislation) has been made, however the length of trials and backlogs remain still significant.
	8. As part of the planned strategy of the government, to be completed by September 2013, classify core and non-core **state assets** according to economic criteria, with a view to divesting non-core assets. Make the **Slovenia Sovereign Holding** (SSH) fully operational in a timely manner, and transfer both ownership and management of all stakes to the SSH, potentially excluding those that are on the list for immediate full privatisation. Ensure professional management of the SSH from the outset, potentially including international expertise, and a clearly defined arms' length relationship with the companies involved. For core stakes, develop sector-specific strategies to improve profitability and corporate governance. Introduce an obligatory and publicly available register of management and supervisory board appointments in state-owned enterprises with requirements for disclosure of interests. Ensure that the regulatory framework facilitates divestment of non-core state assets and that administrative hurdles are	**Limited Progress:** **Limited progress** regarding the Slovenian Sovereign Holding (SSH). A new law was adopted in the parliament in late March 2014. The law empowers the government to submit a strategy for the SSH within three months of the law coming into force (that is July 2014).	**5.** Continue to implement the privatisations announced in 2013 with the time-frames set. Adopt a strategy for the Slovenian Sovereign Holding with a clear classification of assets in line with the timeline and definitions established in the 2014 **Slovenian Sovereign Holding** Act. By November 2014, commit to a short-term (one- to two- year horizon) divestment schedule for a number of well-**targeted assets** with a clear time scale. Make it fully operational as a vehicle for the management of assets remaining in State ownership and divestment of the assets earmarked according to the management acts, within the time frame stipulated by the law. By September 2014, adopt and implement a corporate governance code for state-owned enterprises to ensure professional, transparent and independent management.	**Some Progress:** **Some progress** has been made regarding the privatisation. Three companies from the list of 15 have been divested, including Aerodrom Ljubljana, while direct state ownership in one company has been diluted following a debt-to-equity swap. The sale of Telekom Slovenije and NKBM, the two biggest assets on the list, are in a final stage. Signing expected in April and March 2015 respectively. **Limited progress** has been made in adopting the Slovenian Sovereign Holding strategy and the short-term divestment schedule for state owned assets. **Substantial progress** has been made regarding the operationalization of the Slovenian Sovereign Holding. In December 2014 the Slovenian Sovereign Holding has adopted an Asset Management Policy and a management contract between the Slovenian Sovereign Holding and

	minimised.			the Government is signed, determining the payment of management fees to the first. In December 2014, an open public process was launched for compiling a list of candidate members for the new supervisory board of Slovenian Sovereign Holding. A special committee was to evaluate the submitted applications. In January 2015, a compliance officer was appointed by Slovenian Sovereign Holding. In January 2015 Slovenian Sovereign Holding became the sole owner of PDP. In October 2014 Slovenian Sovereign Holding acquired all the assets previously owned by DSU. The new corporate governance code has been **fully addressed**. It was adopted by the supervisory board of Slovenian Sovereign Holding in December 2014.
	9. Identify and start to work on removing all existing legal and administrative impediments to **sustainable restructuring of over-indebted/undercapitalised but viable companies** through market-based solutions. In this context, take measures to ensure sufficient private burden sharing, to increase private investment, including foreign direct investment, and to achieve efficiency gains in troubled companies as part of the restructuring process. Adopt the necessary **legal framework for out-**	**Some Progress:** **No progress** in ensuring a restructuring of the economy and increasing private investment, especially FDI. **Some progress** by adopting several amendments to the Insolvency Act introducing, amongst others, a preventive restructuring proceeding (in the pre-insolvency stage) and a simplified compulsory settlement proceeding. The impact of the reform is yet to be assessed as it		

	of-court restructuring by September 2013, ensuring that it is coherent with the existing provisions on insolvency and provides incentives for both creditors and shareholders to reach out-of-court restructuring agreements. Improve the enforcement of corporate insolvency procedures and in-court settlements, including **swiftly resolving pending court cases related to bankruptcy procedures**, in order to maximise recovery value and to facilitate the timely and efficient resolution of non-performing loans.	remains largely untested. The level of non-performing loans in the corporate sector has substantially increased. Slovenia has made limited progress in addressing the case backlogs and the length of proceedings governed by the Insolvency Act.		

SK	Country Specific Recommendations 2013 **SGP: CSR 1 and MIP: CSR -**	Assessment of implementation of CSR 2013 **(based on COM staff documents)**	Country Specific Recommendations 2014 **SGP: CSR 1 and MIP: CSR -**	Assessment of implementation of CSR 2014 **(based on COM staff documents)**
	1. Implement as envisaged the budget for the year 2013, so as to **correct the excessive deficit** in a sustainable manner and **achieve the fiscal effort specified in the Council recommendations under EDP**. After the correction of the excessive deficit, pursue the structural adjustment effort that will enable Slovakia to **reach the medium-term objective by 2017**. Avoid cuts in growth enhancing expenditure and step up efforts to improve the efficiency of public spending. Building on the pension reform already adopted, further improve the long term sustainability of public finance by **reducing the financing gap in the public pension system** and **increasing the cost-effectiveness of the health-care sector**.	**Some Progress:** The recommendation with regards to the correction of the excessive deficit was **fully addressed**. Slovakia sustainably brought the general government deficit below 3% of GDP threshold. **No progress** on reducing the financing gap in the public pension system. No measures have been taken to improve the long-term sustainability of public pensions. **Limited progress** on increasing cost-effectiveness of health care. The government has adopted a Strategic Framework for Health 2014-2030, which aims to increase cost-effectiveness. Implementation strategies to reach its objectives will be elaborated between 2014 and 2016.	**1.** Following the **correction of the excessive deficit**, reinforce the budgetary measures for 2014 in the light of the emerging gap of 0,3 % of GDP relative to the preventive arm of the Stability and Growth Pact requirements based on the Commission services 2014 Spring forecast. In 2015, ensure the required adjustment of 0,1 % of GDP towards the medium-term objective taking into account the expected weak economic conditions. Thereafter, until the medium-term objective is achieved, pursue an annual structural adjustment of 0,5 % of GDP as a benchmark. Further strengthen the fiscal framework, also by ensuring binding and enforceable expenditure ceilings. Improve the long-term sustainability of public finance by increasing the **cost-effectiveness of the healthcare sector**, in particular by rationalising hospital care and management and by strengthening primary care.	**Limited progress** (this overall assessment of CSR 1 excludes an assessment of compliance with the Stability and Growth Pact): **No progress** with respect to further strengthening the fiscal framework. The Draft Budgetary Plan does not mention any measures aimed at strengthening the fiscal framework by designing binding and enforceable expenditure ceilings. **Limited progress** with respect to increasing the cost-effectiveness of the healthcare sector. Most measures of the Strategic framework are still in a preparatory phase.
	2. Speed up the implementation of the action plan to combat tax fraud and continue efforts to **improve VAT collection**, in particular by strengthening the analytical and audit capacity of the tax administration. **Improve tax compliance**. Link real-estate	**Some Progress:** **Some progress** on combating tax fraud, implementing the action plan, and improving tax collection and tax compliance. The legislative framework to curb tax evasion has been enhanced markedly, notably in	**2.** Improve the efficiency of the **tax administration** by strengthening its audit, risk assessment and debt collection capacity. Link the basis for real-estate taxation to the market value of the property.	**Limited Progress:** **Limited progress** to improve the efficiency of the tax administration, due to the absence of a strategy that would promote further enhancements of the risk assessment and audit capacity.

	taxation to the market value of property.	the area of VAT, and the efficiency of the Slovak tax system seems to have improved. **<u>No progress</u>** on real-estate taxation. No measures have been taken to link real-estate taxation to the market value of underlying property.		**<u>No progress</u>** in reforming real estate taxation as no legislation has been adopted.
	3. Take measures to **enhance the capacity of public employment services** to provide personalised services to jobseekers and strengthen the link between activation measures and social assistance. More effectively address **long-term unemployment** through activation measures and tailored training. Improve incentives for women employment, by enhancing the provision of child-care facilities, in particular for children below three years of age. Reduce the **tax wedge** for low-paid workers and adapt the benefit system.	**Limited Progress:** **<u>Limited progress</u>** on strengthening the capacity of public employment services and linking activation policies and social benefits. Despite legislative amendments, progress in strengthening the capacity of public employment services and the links between activation policies and social benefits remains limited and hampered by lack of resources. **<u>Limited progress</u>** on addressing long-term unemployment through activation measures and tailored training. While some measures have been taken to reform ALMP, there is still a lack of good quality training matching local labour market needs. **<u>No progress</u>** on ensuring provision of good quality childcare services. The government plans to increase public funds allocated to childcare in 2014, but there is no strategy or legislative and budgetary framework for the provision of childcare for children under three years of age.	**3.** More effectively address **long-term unemployment** through activation measures, second-chance education and tailored quality training. Enhance the **capacity of public employment services** for case management, personalised counselling and activation of jobseekers, and strengthen the link between activation and social assistance. Effectively tackle youth unemployment by improving early intervention, in line with the objectives of a youth guarantee. Improve incentives for women's employment, by enhancing the provision of childcare facilities, in particular for children below three years of age.	**Some Progress:** **<u>Some progress</u>** has been achieved in addressing disincentives in the social benefit system (e.g. the introduction of in-work benefit or temporary reduction of the tax wedge for long-term unemployed recruits). **<u>Limited progress</u>** has been made to increase access to second chance education and tailored quality training. **<u>Limited progress</u>** has been achieved in enhancement of the capacity of public employment services as the reform is on-going (with completion foreseen for 2020 only). **<u>Some progress</u>** in tackling youth unemployment, due both to authorities' stepping up efforts and to general improvement in labour market conditions. **<u>Limited progress</u>** has been made in improving access to childcare services in particular for children

		Some progress on reducing tax wedge for the low-paid: the long-term unemployed, which represent around 70% of the total unemployed, and their employers benefit from lower social contributions during the first year of employment.		below 3. The government has set a target of expanding capacity in preschool facilities.
	4. Step up efforts to address high youth unemployment, for example through a Youth Guarantee. Take steps to attract young people to the teaching profession and raise educational outcomes. In **vocational education and training**, reinforce the provision of work-based learning in companies. In higher education, create more job-oriented bachelor programmes. Foster effective knowledge transfer by promoting cooperation between academia, research and the business sector. Step up efforts to improve access to **high-quality and inclusive pre-school and school education for marginalised communities**, including Roma.	**Limited Progress:** **Limited progress** on addressing high youth unemployment. Slovakia has submitted a Youth Guarantee Implementation Plan, but its feasibility depends on the allocation of sufficient resources. **Some progress** was achieved on attracting young people to the teaching profession. Teachers´ salaries were increased in 2014 and a bonus has been introduced for new teachers. **Limited progress** on raising educational outcomes. While some measures aimed at improving educational outcomes have been introduced, they lack focus. Adequate support to underperforming schools, teachers and pupils is still missing. **Limited progress** on reinforcing the provision of work-based learning. A reform of vocational education and training (VET) towards a dual system is on-going, with a new Act on VET announced for 2014.	**4.** Take measures to increase the quality of teaching in order to raise educational outcomes. Reinforce the provision of **work-based learning in companies** in vocational education and training. Adapt accreditation, funding and governance measures to encourage the creation of profession-oriented bachelor-level programmes. Improve the quality and relevance of the science base and implement plans to foster effective knowledge transfer and cooperation between academia, research and business. Adopt systemic measures to improve access to **high quality and inclusive pre-school and school education for marginalised communities,** including Roma and take steps to increase their wider participation in vocational training and higher education.	**Limited Progress:** **Limited progress** has been achieved to increase the quality of teaching and educational outcomes. **Some progress** has been achieved regarding the CSR on work-based learning. The draft new Act has been adopted by the Government in January 2015 with an intended entry into force in September 2015. **Limited progress** towards the creation of professionally-oriented bachelor programmes. The new Act on Higher Education is delayed. **Limited progress** has been made to improve co-operation between academia, research and business. The centre of scientific-technical information launched a support system for transferring knowledge and technologies. **Limited progress** has been made towards improving access to high quality and inclusive pre-school and school education. The number of teacher assistants for children with

		Limited progress on the creation of more job-oriented bachelor programmes. Work is on-going on a new Act on Higher Education, which aims to allocate funding according to more output-based criteria. **Limited progress** on the effective transfer of knowledge between academia, research and the business sector. The National Research and Innovation Strategy for Smart Specialisation, approved in 2013, seeks to encourage more effective cooperation between academia and businesses. **Limited progress** on improving access to high-quality and inclusive pre-school and school education. Compulsory enrolment in early childhood education and care for children from socially disadvantaged environment is currently being discussed.		special needs, including children from socially disadvantaged environments, has been significantly increased. **No progress** has been made to ensure wider participation of Roma in vocational training and higher education.
	5. Step up efforts to make the **energy market function better**; in particular, to increase the transparency of the tariff-setting mechanism, enhance the accountability of the regulator. Strengthen interconnections with neighbouring countries. Improve energy efficiency in particular in buildings and industry.	**Limited Progress:** **No progress** on improving energy market functioning. No measures have been taken to increase the transparency of the tariff-setting mechanism and enhance the accountability of the regulator. **Some progress** on strengthening interconnections with neighbouring countries. Several projects aimed at	**5.** Step up efforts to make the **energy market function better,** in particular by increasing the public transparency of the regulatory framework and by exploring the determinants of the high electricity network charges, in particular for industrial consumers. Building on the progress made so far, further develop interconnections with neighbouring countries, including with Ukraine, in accordance with	**Limited Progress:** **No progress** has been made with respect to public transparency of the regulatory framework and analysis of determinants of the high electricity network charges. **Substantial progress** has been made with respect to further developing interconnections with neighbouring countries. In

		improving gas, oil, and electricity interconnections have been selected as projects of common interest and are currently being implemented. **Some progress** made on energy efficiency. A National plan for increasing energy efficiency in buildings has been developed and a more general package of energy efficiency measures is proposed for EU financing in the next programming period.	the Memorandum of Understanding signed in April.	particular, the gas reverse flow with Ukraine has been operational since September 2014.
	6. Take measures, including by amending the Act on Civil Service, to **strengthen the independence of the public service**. Improve the management of human resources in public administration. Step up efforts to strengthen analytical capacities in key ministries, also with a view to improving the absorption of EU funds. Implement measures to **improve the efficiency of the judicial system**. Promote alternative dispute resolution procedures and encourage their greater use.	**Limited Progress:** **Limited progress** on strengthening the independence of the public service, improve the human resources management and strengthen the analytical capacities. A reform of state administration (ESO) is on-going but it does not include major changes concerning human resources management. Analytical units were created in some ministries but their influence on policy is limited. **Limited progress** on improving the absorption of EU funds. Procurement procedures, management verifications and project selection remain significant weaknesses. **Limited progress** on implementing measures to improve the efficiency of the judicial system and in promoting alternative dispute	**6.** Take measures, including by amending the Act on Civil Service, to increase **the independence of the public service.** Adopt a strategy to improve the management of human resources in public administration. Step up efforts to strengthen analytical capacity in key ministries with a view to adopting evidence-based policies, and improving the quality of policy impact assessment. Take steps to fight **corruption** and accelerate efforts to improve the efficiency and quality of the **judicial system**. Introduce measures to improve the business environment including for SMEs. Step up efforts to improve the efficiency of public procurement.	**Limited Progress:** **Limited progress** has been made in increasing the independence of the public service. The adoption of the amendment to the Civil Service Act is expected by mid-2015 with an entry into force 2016. **Limited progress** has been achieved in adopting a strategy to improve the management of human resources. A strategy is being developed in parallel to the Civil Service Act. **Limited progress** has been registered with respect to strengthening analytical capacity in key ministries. The Ministry of Finance has been entrusted with drafting the strategy on how to improve analytical capacities. **Some progress** has been achieved on improving the quality of policy

		resolution procedures. A new act on arbitration is envisaged to come into force in 2014. A reform of the Code of Civil Procedure is on-going, although the actual Act is not expected before 2016.		impact assessment. The government amended the methodology on regulatory impact assessments and the Centre for Better Regulation will be created. **Limited progress** has been achieved in fighting corruption. The new legislation on whistleblowing was adopted in 2014 and an Action plan on fighting corruption has been updated in December 2014. **Limited progress** has been assessed with respect to the justice system. A new Act on arbitration came into force. A Constitutional reform aimed at improving the functioning of the Judicial Council but also included a contentious suitability requirement for judges. The reform of civil procedure and IT projects are ongoing. **Limited progress** has been achieved in terms of improving the business environment. A one-stop shop for starting a company should be fully operational by the end of 2015. The National Business Centre is scheduled to become operational in 2016. **Limited progress** has been observed with respect to improving the efficiency of public procurement. The Electronic Contracting System was launched during 2014 but is applied only for

				public contracts under the EU thresholds for off-the shelf supplies.

FI	**Country Specific Recommendations 2013** **SGP: CSR 1 and MIP: CSR 3, 4, 5**	**Assessment of implementation of CSR 2013** **(based on COM staff documents)**	**Country Specific Recommendations 2014** **SGP: CSR 1 and MIP: CSR 2, 4, 5**	**Assessment of implementation of CSR 2014** **(based on COM staff documents)**
	1. Pursue a growth-friendly fiscal policy and preserve a **sound fiscal position** as envisaged, ensuring **compliance with the MTO over the programme horizon**. Continue to carry out annual assessments of the size of the **ageing-related sustainability gap** and adjust public revenue and expenditure in accordance with long-term objectives and needs. Ensure the cost-effectiveness and sustainability of **long-term care** and put a stronger focus on prevention, rehabilitation and independent living.	**Substantial Progress:** **Some progress** has been made in preserving the sound fiscal position. After the risk of deviation from the MTO in 2014 was recognised, ambitious consolidation measures were decided for 2015. **Substantial progress** has been made in addressing the sustainability gap problems. Measures to adjust public revenue and expenditure and to increase the growth potential have been prepared, with the objective of closing the gap. **Substantial progress** has been made in putting a stronger focus on prevention, rehabilitation and independent living in long-term care, with the passing of a new Act on services for older people in July 2013.	**1.** Limit the emerging gap relative to the medium-term objective, ensure to return to it in 2015 and respect it thereafter as planned. Ensure that the **debt criterion** is fulfilled, while pursuing a growth-friendly **fiscal policy.** Implement rapidly the reforms set out in the structural policy programme and government spending limits and fiscal plan for 2015-2018 in order to reduce the fiscal sustainability gap and strengthen conditions for growth.	**Some Progress** (This overall assessment of CSR 1 excludes an assessment of compliance with the Stability and Growth Pact.) **Some progress** regarding the implementation of the structural policy programme. The government is preparing the legislative acts needed for implementation of the structural policy programme. Some of the obligations of municipalities have been reduced, and the government has put forward plans to steer municipal finances through the general government fiscal plan.
	2. Ensure effective implementation of the on-going **administrative reforms** concerning the municipal structure, in order to deliver productivity gains and cost savings in the provision of public services, including social and healthcare services.	**Substantial Progress:** **Some progress** in the reform of municipal structure. Studies on the benefits of the mergers of municipalities are continuing as planned, but show a tendency to lag behind the initial objective. **Substantial progress** in the area of	**2.** Ensure effective implementation of the ongoing **administrative reforms** concerning municipal structure and social and healthcare services, in order to increase the cost-effectiveness in the provision of public services.	**Some Progress:** **Some progress** regarding the implementation of the administrative reforms. Regarding social and healthcare reform, a draft fundamental legislative proposal introduced by the government has been deemed incompatible with the constitution and needs to be revised.

		social and healthcare services, as all political parties have agreed on the main elements of the upcoming reform.		Regarding reform of municipal structures, the process is proceeding with some delays. Municipalities are carrying out their merger reviews. However, the government has decided to create a metropolitan authority in Helsinki region.
	3. Take further steps to increase the **employment rate of older workers**, including by improving their employability and reducing early exit pathways, increasing the effective retirement age by aligning retirement age or pension benefits to changes in life expectancy. Implement and monitor closely the impact of on-going measures to improve **the labour-market position of young people** and the long-term unemployed, with a particular focus on the development of job-relevant skills.	**Some Progress:** **Some progress** has been made as regards the pension reform (by agreeing the timetable and conducting important studies) and reducing early exit pathways to retirement. But pathways such as the 'unemployment tunnel' remain. **Limited progress** on employability of older workers. **Substantial progress** on young people, including implementing a youth guarantee. **Some progress** on long-term unemployment with measures to reduce structural unemployment with active labour market policies (ALMPs) and more incentives to work.	**3.** Improve the use of the full labour force potential in the labour market, including by improving the **employment rate** and the **employability of older workers,** and increasing the effective retirement age, by reducing early exit pathways and aligning the retirement age or pension benefits to changes in life expectancy. Improve the **labour-market prospects of young people** and the long-term unemployed, with a particular focus on vocational education and targeted activation measures.	**Some Progress:** **Some progress** in improving the use of full labour force potential. The Finnish wage subsidy system has been reformed with effect from the beginning of 2015, with a particular focus on the elderly and a clarified system for all potential recipients. Wage subsidies for the over-60s who have been unemployed for over 12 months will be introduced on a permanent basis. **Some progress** in improving the labour market prospects of the young people and the long-term unemployed. The Youth Guarantee has been introduced and implemented. It has contributed to limiting youth unemployment, with 67.8% of guarantee beneficiaries starting a job, a traineeship, apprenticeship or further education within four months of registering with the Finnish public employment service (after six months this increased to 89.6% of guarantee beneficiaries). However, taking better into account young people not in education, employment or training and targeting specific

				subgroups could increase its impact. Regarding the long-term unemployed, a new law has been adopted regarding a multi professional joint service. The public employment service would work together with the municipal authorities and the social security institution to ensure tailor-made approach and a more intensive follow-up of the long-term unemployed. **<u>Some progress</u>** in increasing the effective retirement age. The social partners in Finland reached an agreement in September 2014 about a pension reform that will take effect in 2017. The agreement will be legislated once the details have been successfully established. The pension age will be raised gradually for those born in 1955, or later, until the lowest pension age is 65 (now 63). The pension age will be linked to life expectancy from 2027 so that the relation of time in work and on pension remains at the level of 2025.
	4. Continue efforts to enhance **competition in product and service markets**, especially in the retail sector, by implementing the new programme on promoting healthy competition.	**Some Progress:** **<u>Some progress</u>** in addressing this CSR. Although steps have been taken to improve competition in the retail sector, issues remain with regard to large commercial establishments, due to planning law restrictions and market conditions. The healthy competition programme	**4.** Continue efforts to enhance **competition in product and service markets,** especially in the retail sector, by implementing the programme on promoting healthy competition, including amendments of the land use and building act to make it more supportive to healthy competition.	**Limited Progress:** **<u>Limited progress</u>** in addressing competition in product and service markets. Although steps have been taken to improve competition in the retail sector, issues remain in particular with regard to large commercial establishments, due to planning law restrictions and market

		is not yet fully implemented.		conditions. The healthy competition programme is not yet fully implemented. A new proposal for modification of the Land Use and Building Act presented to the Parliament in December 2014 incorporated competition as an objective, but the restrictions regarding large-scale outlets have not been addressed and remain problematic.
	5. Boost Finland's capacity to deliver innovative products, services and high-growth companies in a rapidly changing environment, and continue **diversification of the industry**; continue to improve the overall energy efficiency in the economy. In the current low-growth environment, support the alignment of real wage and productivity developments whilst fully respecting the role of social partners and in line with national practices.	**Some Progress**: **<u>Some progress</u>** in addressing the capacity to deliver innovative products and regarding the diversification of industry. Although these areas are outside the direct influence of the government, a considerable number of policy initiatives have been launched to promote growth and innovation, many of them as part of the government's 2013 structural policy programme. The government adopted a resolution on comprehensive reform of the research institutes and research funding. The new R&I guidelines are undergoing preparation and the recommendations of several evaluations (e.g. strategic centres of science, technology and innovation), Academy of Finland) are being implemented. Moreover, the government is reforming the funding model of both the universities and polytechnics with specific attention to the utilisation of	**5.** Continue to boost Finland's capacity to deliver innovative products, services and high-growth companies in a rapidly changing environment, and continue the **diversification of industry**, in particular by improving the business environment to strengthen investment in Finland and further facilitating smaller firms' entry into export markets. Step up the development of cross-border gas connection to Estonia.	**Some Progress:** **<u>Some progress</u>** in boosting the capacity to deliver innovative products. The government is implementing a comprehensive reform of research institutes and research funding. Moreover, the government is reforming the funding model of both universities and polytechnics with specific attention to the utilisation of research. Policy programmes for clean technology, biotechnology and digitalisation are promising but are relatively small. Finland has allocated a significant share of European Regional Development Fund investments over 2014- 20 to promote research and Development and enterprise growth. **<u>Some progress</u>** in the development of cross-border gas connection to Estonia. The parties have agreed on the 'Roadmap on the development of the 'Baltic connector'. The Prime Ministers concluded the

		research. **<u>Substantial progress</u>** has been made in energy efficiency through policies supporting innovation and start-up companies. In 2013, Finland announced its national indicative energy target (Article 3 EED). A national Roadmap to 2050 is under preparation, along with a specific law to implement new energy efficiency obligations. **<u>Substantial progress</u>** has been made in supporting the alignment of real wage and productivity developments, as the social partners have agreed very limited wage growth in 2014-15, in line with the recommendation.		'Communiqué Common approach for developing regional gas infrastructure in Estonia and Finland' which covers the development of the Baltic connector and the Regional Baltic LNG Terminal. The Prime Ministers agreed that construction of the Baltic connector is to be completed by 2019, if technically feasible, and if a grant from the Union's Connecting Europe Facility (CEF) programme is provided. **<u>Limited progress</u>** in the diversification of industry. The government's structural policy programme has included steps to make support systems for businesses simpler and more efficient. Considerable efforts have been made in adding financing for start-ups, and in promoting their internationalisation. Despite these steps, investment in Finland has remained low, export difficulties have continued and employment has been reduced.

Euro Area	Council Recommendations 2013	Assessment of implementation of CSR 2013 (based on COM staff documents)	Council Recommendations 2014	Assessment of implementation of CSR 2014 (based on COM staff documents)
	1. Take responsibility for the aggregate policy stance in the euro area in order to **ensure the good functioning of the euro area** to increase growth and employment, and to take forward the work on deepening Economic and Monetary Union. Allow the **Eurogroup to play a central role** in the strengthened surveillance framework applicable to euro area Member States to coordinate and monitor reforms at national and at the euro area level that are necessary for a stable and robust euro area and to ensure policy coherence, and in the preparation of the Euro Summits.		**4.** Take forward work on **deepening Economic and Monetary Union** and contribute to the improvement of the economic surveillance framework in the context of the reviews foreseen for end 2014.	**Some Progress:** The Commission presented the Communication on the review of the Six- and Two-Pack legislation as a basis for discussion with the European Parliament and the Council. On that basis, the Commission will reflect whether adaptations to the legislation itself, or to its implementation in practice, are necessary. The Commission has announced in the AGS a number of steps to improve the application of the economic governance system already in the 2015 European Semester. With regard to the broader topic of deepening Economic and Monetary Union, the Euro summit of October invited the President of the European Commission with the Presidents of the ECB, European Council and Eurogroup to prepare further steps to strengthen economic governance. The December European Council called for informal discussion at the February European Council and report to the June European Council.

	2. Ensure that the Eurogroup monitors and coordinates **fiscal policies of the euro area** Member States and the aggregate fiscal stance for the euro area as a whole to ensure a growth friendly and differentiated fiscal policy. To this end the Eurogroup should discuss the Commission opinions of the **draft budgetary plans of each of the euro area Member States**, and the budgetary situation and prospects for the euro area as a whole on the basis of the overall assessment by the Commission of the draft budgetary plans and their interaction. The coordination shall contribute to ensuring that **the pace of fiscal consolidation is differentiated** according to the fiscal and economic situation of the euro area Member States with the **budgetary adjustment** defined in structural terms in line with the Stability and Growth Pact, allowing the **automatic stabilisers** to function along the adjustment path and that, in view of reinforcing the credibility of fiscal policy over the medium term, fiscal consolidation is supported by an overall efficient and growth-friendly mix of expenditure and revenue and by appropriate structural reforms which enhance the economic growth potential.		**2.** Coordinate **fiscal policies of the euro area** Member States, in close cooperation with the Commission, in particular when assessing **draft budgetary plans to ensure a coherent and growth-friendly fiscal stance across the euro area.** Improve the quality and sustainability of public finances by prioritising material and **immaterial investment at national and EU levels**. Ensure that national fiscal frameworks, including national fiscal councils, are strong.	**Some Progress:** **<u>Some progress</u>** has been made on the coordination of fiscal policies, to the extent that fiscal outlook for the euro area as a whole has improved and the aggregate fiscal stance seems appropriate. However, the coordination of the fiscal policies remains sub-optimal. Discussion has taken place in the context of the DBP assessment. The Commission has published on 13 January a communication on the best use of the existing flexibility in the Stability and Growth Pact, including by facilitating investment. **<u>Limited progress</u>** has been made on improving the quality and sustainability of public finances, which is a topic for upcoming thematic peer reviews in the EPC. Discussion has taken place at technical level and at the Eurogroup and ECOFIN on the issue of promoting investment, including prioritising material and immaterial investment at national and EU levels. Technical discussions have taken place on national fiscal frameworks, including national fiscal councils.

	3. Assess, in the framework of the Eurogroup, the reasons behind the **differences in lending rates** especially to SMEs across the euro area Member States; explore the consequences of the **fragmentation of the financial markets** in the euro area and contribute to ways to overcome it.		**3.** Ensure the resilience of the banking system, in particular by taking the necessary action in the follow up of the asset quality review and the stress tests, and by implementing the **Banking Union** regulations and taking forward the further work foreseen in the SRM transition period. Stimulate private sector investment and increase the flow of credit to the economy via **actions to improve access to credit by SMEs,** deepening of capital markets, restarting the securitisation market, based on the proposals and the calendar in the Commission Communication on long-term financing of the European economy.	**Substantial Progress:** **Substantial progress** in steps to ensure the resilience of the banking system: The ECB Comprehensive Assessment (CA), including the EBA coordinated EU-wide stress test, was successfully concluded in October 2014 and confirmed a significant improvement in the capitalisation of European banks over the last years. The follow up to the CA is underway. Banks with remaining shortfalls have prepared capital plans and have up to nine months to cover them. With regard to implementing Banking Union, the SSM officially took over its supervisory tasks on 4 November 2014. One of its main priorities is to ensure a level playing field across European significant banks, not only in terms of their supervision, but also in terms of consistent application of the single rulebook. Steps towards the operational establishment of the Single Resolution Board (SRB) are also on track. Permanent members of the SRB are expected to take up their duties in the coming months, with the elaboration of bank resolution plans due to start this year. The rules for the risk-adjusted

				calculation of the contributions of banks to the resolution funds under the Bank Recovery and Resolution Directive (BRRD) have been agreed. **<u>Some progress</u>** in stimulating private sector investment and increase the flow of credit to the economy, by various measures: In the context of public actions aimed to stimulate private investment directly, European Commission's Investment Plan was launched in November 2014. It will provide for better integration and diversification of European funding markets and act as a catalyst for private sector investment. The Regulation on European Long-term Investment Funds (ELTIF) will provide a common EU regulatory framework and pass porting rights for funds specialising in long term investments, for example in infrastructure projects or SMEs. The ELTIFs should be operational by mid-2015. The European Commission has announced to work towards a capital markets union (CMU) to achieve a greater market size and depth and develop a true single market in financial services. One of the Commission's near-term priorities is the development of a

				sustainable EU securitisation market. In this context, the Commission is developing an approach that introduces more risk sensitivity into the framework. The adoption of "high-quality" criteria in October within the Commissions' Delegated Acts on Solvency II (for insurer capital rules) and LCR (for bank liquidity rules) represents a first step in this direction. Additional public and private initiatives are needed to develop sound, deep and liquid securitisation markets in the EU.
	4. Building on the recapitalisation and the restructuring of the past years, promote further balance-sheet repair among banks as a means to **reverse fragmentation in the single market** and **improve the flow of credit** to the real economy, particularly SMEs. To this end: (a) ensure that the balance sheet assessments and stress tests to be conducted by the **Single Supervisory Mechanism** (SSM) in co-operation with the **European Banking Authority** (EBA) are concluded in accordance with the agreed timeline; (b) ensure a level playing field in applying **burden-sharing** requirements in the recapitalisation of banks; (c) ensure the availability of **credible fiscal backstops** in the context of balance sheet assessments and stress tests; (d) remove **supervisory incentives** for banks to match asset and			

	liabilities within national borders; and (e) accelerate the necessary steps to establish the **Banking Union**, as outlined by the European Council.			
	5. Coordinate ex ante the major **economic reform plans** of the Member States whose currency is the euro. Monitor the implementation of **structural reforms**, notably in the labour and product markets and assess their impact on the euro area, taking into account the Council recommendations to individual euro area Member States. Promote further adjustment in the euro area, ensuring a correction of external and internal imbalances, inter alia by following thoroughly the reforms that address distortions to saving and investment behaviour in Member States with both current account deficits and surpluses. Take the necessary steps for an effective implementation of the **Macroeconomic Imbalances Procedure**, notably by assessing progress in reform commitments in Member States experiencing excessive imbalances and in reform implementation in Member States with imbalances requiring decisive action to limit **negative spillovers** to the rest of the euro area.		**1.** Promote and monitor, in close cooperation with the Commission, the implementation of structural reforms in those areas most relevant for the smooth functioning of the euro area in order to foster growth and convergence and adjustment of internal and external imbalances. Assess and stimulate progress in delivering on reform commitments in euro area Member States experiencing excessive imbalances and in reform implementation in the euro area Member States with imbalances requiring decisive action, to limit negative **spillovers** to the rest of the euro area. Foster appropriate policies in countries with large current account surpluses to contribute to positive spillovers. Regularly hold thematic discussions on structural reforms in the labour and product markets with potentially large spillovers, focussing on reducing the high tax wedge on labour and reforming services markets.	**Some Progress:** **Progress** in delivering reform commitments **has notably been promoted** at the euro area level, via i.a. technical discussions in Economic Policy Committee and Economic and Financial Committee and political discussion in Eurogroup and ECOFIN. Programme country's reform progress, as well as discussion on reform progress in member states with excessive imbalances or imbalances requiring decisive action, has also taken place. The assessment of the implementation of country specific reform commitments in the individual Member States suggests that around [50]% of recommendations have seen at least **some progress** in the euro area as a whole. The Eurogroup has held a number of discussions related to fostering appropriate policies in countries with large current account surpluses, e.g. in the context of the DBP assessment.

				The Eurogroup has held two thematic discussions in July and September on reducing the high tax wedge on labour and one will take place in March on reforming services markets.
	6. In line with the **AGS 2013**, it is crucial for the euro area member states to take collective and significant measures in order to tackle the **social consequences** of the crisis and the rising unemployment levels. The situation of **unemployed young people** is particularly worrying and bold action is recommended along the lines of the **Compact for Growth and jobs** and the **EU Youth Guarantee**. Further reforms to facilitate access to employment, prevent early withdrawals from the labour market, reduce the cost of labour, combat labour market segmentation and support innovation are recommended.			

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