STUDY

Country Specific Recommendations for 2015 and 2016

A comparison and an overview of implementation

This document presents:

- The **Country Specific Recommendations (CSRs) for 2015** generally endorsed by the European Council on 25/26 June 2015 and adopted by the Council on 14 July 2015;
- **The assessment of the implementation of 2015 Country Specific Recommendations** based on the **European Commission Country Reports** as published on 26 February 2016;
- The **draft Country Specific Recommendations for 2016** proposed by the European Commission (COM) on 18 May 2016 and to be adopted by the Council in July 2016; and
- The **Council Recommendation on the economic policy of the euro area** approved by the Council on 8 March 2016.

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 **other major economic policy objectives**, such as growth enhancing structural reforms, employment and social aspects and/or financial market stability (in accordance with the integrated guidelines adopted under Articles 121(2), 136 and 148(4) of the TFEU).

► The draft CSRs for 2016 have been re-arranged in the annexed table, where applicable, by policy area so as to allow an easier comparison with the 2015 CSRs.

► The "colour code" used for the assessment of CSR implementation is based on the broad categories used in the COM Country Reports: **"red"** = "no progress" or "limited progress"; **"yellow"** = "some progress"; **"green"** = "substantial progress" or "full progress"; and **"grey"** = "not yet assessed".

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

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BE	[Country Specific Recommendations 2015](#) **SGP: CSR 1 and MIP: CSR 1, 2, 3, 4**	[Assessment of implementation of CSR 2015](#) **(based on COM staff document)**	[Draft Country Specific Recommendations 2016](#) **SGP: CSR 1 and MIP: -**
	1. Achieve a fiscal adjustment of at least 0,6 % of GDP towards the medium-term budgetary objective in 2015 and in 2016. Use windfall gains to put the general government debt ratio on an appropriate downward path. **Complement the pension reform** by linking the statutory retirement age to life expectancy. Agree on an enforceable distribution of fiscal targets among all government levels.	**Some progress** (this overall assessment of CSR1 does not include an assessment of compliance with the Stability and Growth Pact): **Some progress** has been made in putting the debt ratio on a downward path. Consolidation measures have been taken at all levels of government to reduce the budget deficit. However, the targeted structural improvement has not been reached. In addition, headline deficit targets have also been revised upwards, as economic growth is lower than previously expected. Unfavourable economic conditions, notably modest economic growth and particularly low inflation, have made it more demanding to put the debt-to-GDP ratio on a downward path. Belgium implemented growth-enhancing structural reforms which are expected to contribute to debt reduction in the medium/long term. **Some progress** has been made in linking the retirement age to life expectancy. The federal parliament adopted the last part of the pension reform agreed in 2014, notably an increase in the statutory retirement age to 66 years in 2025 and 67 in 2030. On the other hand, no automatic or semi-automatic link has been introduced to adapt the pension age or other parameters further to take account of demographic changes. The government is considering introducing a points system which would facilitate parametric changes. **Limited progress** has been made towards an enforceable distribution of fiscal targets among the various levels of government. The Cooperation	**1. Achieve an annual fiscal adjustment** of at least 0.6% of GDP towards the medium-term budgetary objective in 2016 and in 2017. Use windfall gains to accelerate the reduction of the general government debt ratio. Agree on an enforceable distribution of fiscal targets among all government levels. **Simplify the tax system and remove distortive tax expenditures.**

		Agreement reached between the different levels of government at the end of 2013, which formalises fiscal policy coordination, has not been fully implemented The distribution of the fiscal trajectory for the general government in the 2015 Stability Programme is only indicative, and no formal distribution of targets has been agreed. This hampers the strengthened monitoring role of the High Council of Finance, as it cannot assess compliance with agreed targets as provided for by the Cooperation Agreement.	
	2. Adopt and implement a comprehensive tax reform broadening the tax base, shifting the tax burden away from labour and removing inefficient tax expenditures.	**Some progress:** Measures have been taken to reduce the tax wedge on labour through decreases in personal income taxation and social security contributions. Employers' social security contributions will gradually decrease, from maximum 32.4 % to maximum 25 % for the highest wages between 2016 and 2018, and from 17.3 % to 10.9 % for the lowest wages between 2016 and 2019. These reductions will partly replace existing wage subsidies. Specific reductions for SMEs and self-employed people will be enlarged. There will be cuts in personal income taxation to increase take-home pay and strengthen purchasing power: the ceiling for tax-deductible professional expenses will be raised a second time (to EUR 4 210 from 2016). Income between EUR 8 711 and EUR 12 400, which is currently taxed at 30 %, will be taxed at 25 %. The lower limit of the 45 % tax bracket will be raised, widening the 40 % tax bracket. To finance this tax shift away from labour, tax bases have been broadened and taxes that distort growth less have been raised. This applies especially to taxes on consumption. The reduced VAT rate for electricity was abolished in September 2015. Excise	*See CSR 2 (tax reform)*

		duties on alcohol, tobacco, diesel and soft drinks will gradually increase between 2016 and 2018. New revenues will also come from increased capital taxation, notably: higher withholding taxes on dividends, interests and royalties; a new speculative transaction tax on short-term capital gains on shares; and the reform of the taxation of real estate investment funds. Regional governments are implementing a system of kilometre-based road charging for heavy duty vehicles. In 2016, the Brussels Capital Region abolished the regional poll tax of EUR 89. This will be financed by a 12 % rise in recurrent immovable property taxes. Some tax expenditures have been removed or reduced. The reduced VAT rate for electricity was abolished in September 2015. The Walloon government reformed the deduction for owner-occupied housing and made it more focused on low and middle-income owners. The Brussels Capital Region is to abolish the personal income tax deduction for owner-occupiers with a single home in 2017. Instead, buyers will be entitled to a reduction in registration duties of up to EUR 22 500 for a dwelling they intend to occupy (provided that it is their only one), subject to certain limits.	
	3. Improve the functioning of the labour market by reducing financial disincentives to work, increasing labour market access for specific target groups and addressing skills shortages and mismatches.	**Some progress:** Incentives to work have been strengthened by several measures to reduce the tax wedge (increased tax credit for low-waged workers and a higher ceiling for tax-deductible professional costs) as well as by parametric reforms of the unemployment benefit system affecting part-time workers and elderly unemployed people in particular. Additional measures to reduce the tax wedge have been adopted but have yet to enter into force. Several measures	

		have been taken to gradually reduce social security contributions as of 2016 (see CSR 2). Working arrangements between Flemish and Brussels regional employment services were strengthened in October 2015. Under the altered cooperation agreement, Flanders (VDAB) will have the authority to organise the entire job mediation trajectory (from training to job placement) for unemployed Brussels residents seeking employment for which knowledge of Dutch is required. In Flanders, the government has proposed a Draft Decree beginning of 2016 which retains reduced employer social security contributions for low- and middle schooled workers below the age of 25 (subject to a wage ceiling), for workers above the age of 55 and for people with a disability. In Wallonia, government and social partners have reached agreement on an encompassing reform which refocuses the transferred employment incentive schemes on the activation of benefits of young and long-term unemployed and reduced social security contributions for older workers. The French Community launched in 2015 a major reform of its education system which should address educational inequalities and improve the vocational and training system. A reorganisation in ten geographical areas of the latter has started and the dual learning system was streamlined in September 2015. The Flemish Community is pursuing its secondary education reform. Key decisions related to vocational and training are yet to be taken. A new action plan to	

		strengthen the fight against early school leaving was adopted early 2016 in parliament. The implementation of the STEM action plan is moving forward.	
	4. Restore competitiveness by ensuring, in consultation with the social partners and in accordance with national practices, that **wages evolve in line with productivity**.	**Limited progress:** While considerable progress has been made on correcting the historic labour cost gap, progress on revising the wage-setting framework is less tangible. A reform of the Law of 1996 on the national wage-setting framework, announced in the 2014 government agreement, has not been enacted so far. Discussions of the projected reform continue between the social partners.	**2. Carry out the intended review of the 'Law of 1996' on competitiveness** and employment in consultation with the social partners. Ensure that wages can evolve in line with productivity. Ensure the effectiveness of labour market activation policies. Move forward with education and vocational training reforms and provide training support, notably for people from a migrant background.
			3. Boost the capacity to innovate, notably by fostering investment in knowledge-based capital. **Increase competition in the business services sector and the retail sector** by removing unwarranted operational and establishment restrictions. **Address shortfalls in investment** in transport infrastructure and energy generation capacity.

BG	[Country Specific Recommendations 2015](#) **SGP: CSR 1 and MIP: CSR 1, 2, 3, 5**	[Assessment of implementation of CSR 2015](#) **(based on COM staff document)**	[Draft Country Specific Recommendations 2016](#) **SGP: CSR 1 and MIP: CSR 1, 2, 3, 4**
	1. Avoid a structural deterioration in public finances in 2015 and achieve an adjustment of 0,5 % of GDP in 2016. Take decisive measures to **improve tax collection** and address the shadow economy, based on a comprehensive risk analysis and evaluation of past measures. **Improve the cost-effectiveness of the healthcare system**, in particular, by reviewing the pricing of healthcare and strengthening outpatient care and primary care.	**Some progress** (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact): **Some progress** in addressing the part of CSR1 on tax collection. Bulgaria made stricter the control requirements for excise goods, collected more revenues form excise duties and signed agreements to broaden exchange of tax information. Nevertheless voluntary tax compliance remained a problem, including the time to comply with tax legislation. Bulgaria adopted a Single Tax Compliance Strategy indicating a more holistic tax policy approach but the Strategy lacks assessment of previous anti-fraud measures and a comprehensive risk analysis which identifies the most important tax collection shortages. **Some progress** in addressing CSR1 in the part on healthcare. The Bulgarian government made the National Health Map mandatory for the signing of contracts between the National Health Insurance Fund and hospitals. This is expected to improve the efficiency of spending in healthcare; however the Map is expected to be used as from April 2016, therefore results of its implementation are to be seen in coming months at the earliest. 25 out of 3,000 hospital procedures will soon be authorised to be provided in outpatient facilities. This may lower costs of health care system's functioning and be a first step of putting more emphasis on ambulatory care.	**1. Achieve an annual fiscal adjustment** of 0.5% of GDP towards the medium-term budgetary objective in 2016 and in 2017. **Further improve tax collection and take measures to reduce the extent of the informal economy**, including undeclared work.
	2. By December 2015, **complete a system-wide independent asset-quality review and a bottom-up**	**Some progress:**	**2.** By the end of 2016, **finalise the asset quality review and stress test of the banks.** By the end of

	stress test of the banking sector, in close cooperation with European bodies. Perform a portfolio screening for the pension funds and insurance sectors. Review and fortify banking and non-banking financial sector supervision, including by strengthening the bank-resolution and deposit-guarantee frameworks. Improve corporate governance in financial intermediaries, including by tackling concentration risk and related-party exposures.	**Some progress** in completing a system-wide asset quality review and stress test of the banking sector. A contract has been signed with an independent consultant to assist the central bank in conducting the exercise and the review of the quality of the banks' assets has been launched. **Limited progress** in performing a portfolio screening for the pension funds and insurance sectors. A contract with an independent consultant should be signed as soon as possible in order to prepare the methodology and launch the technical part of the exercise. **Some progress** in fortifying banking supervision, while strengthening corporate governance and tackling concentration risk and related-party exposures. In particular, a plan to reform and develop banking supervision has been published, building on recommendations by the IMF and the World Bank, and is being implemented. Moreover, the authorities have introduced legislation to transpose the Bank Recovery and Resolution Directive and the Deposit Guarantee Schemes Directive into national law. **Limited progress** in tackling concentration risk and related-party exposures in the non-banking financial sector. The reviews of both bank and non-bank financial intermediaries should be performed in a way that is useful for the identification of such practices. This will allow the authorities to make the necessary adjustments to both the relevant legislation and supervisory practices.	2016, complete the balance-sheet review and stress test of the insurance companies and the review of private pension funds' assets. Take the necessary follow-up actions in all three sectors and continue to improve banking and non-banking supervision.
	3. Develop an integrated approach for groups at the margin of the labour market, in particular older workers and young people not in employment,	**Limited rogress:**	**3. Reinforce and integrate social services and active labour market policies**, in particular for the long-term unemployed and young people not in

	education or training. In consultation with the social partners and in accordance with national practices, **establish a transparent mechanism for setting the minimum wage and minimum social security contributions** in the light of their impact on in-work poverty, job creation and competitiveness.	**<u>Limited progress</u>** in developing an integrated approach for groups at the margin of the labour market. The Public Employment Services are hiring youth mediators to reach and activate youth NEETs. The overall effect of the measure is still limited. In the first nine months of 2015, 71 000 individual plans for youth registered with the PES were prepared. From September 2014 to September 2015, 43 000 people over 50 years old started work on the primary market, additional 16 000 started subsidised employment. **<u>Limited progress</u>** in the part on minimum wage and minimum social security thresholds. The government plans to establish the criteria for the mechanism for setting up minimum wages towards the end of 2016. Minimum wages per economic sectors should start being negotiated between the social partners from 2017.	employment, education or training. **Increase the provision of quality education** for disadvantaged groups, including Roma. **Improve the efficiency of the health system** by improving access and funding, and health outcomes. In consultation with social partners **establish guidelines and criteria for setting the minimum wage**. Increase the coverage and adequacy of the minimum income scheme.
	4. Adopt the reform of the School Education Act, and increase the participation in education of disadvantaged children, in particular Roma, by improving access to good-quality early schooling.	**Some progress:** **<u>Substantial progress</u>** in addressing CSR4 in the part on the adoption of the School Education Act. The School Education Act was adopted in October 2015. All the subsequent educational standards are planned to be designed and adopted by August 2016. **<u>Limited progress</u>** addressing CSR4 in the part on improving access to good-quality early schooling for disadvantaged children.	
	5. With a view to **improving the investment climate**, prepare a comprehensive reform of the insolvency framework drawing on international best practice and expertise, in particular to improve mechanisms for pre-insolvency and out-of-court restructuring.	**Limited progress:** **<u>Limited progress</u>** in improving the mechanisms for pre-insolvency and out-of-court restructuring.	**4. Reform the insolvency framework** to accelerate recovery and resolution procedures and improve their effectiveness and transparency. Increase the capacity of the courts regarding insolvency procedures. Strengthen the capacity of the Public Procurement Agency and contracting authorities and improve the

			design and control of public tendering procedures. Speed up the introduction of e-procurement.

CZ	[Country Specific Recommendations 2015](#) **SGP: CSR 1 and MIP: -**	[Assessment of implementation of CSR 2015](#) **(based on COM staff document)**	[Draft Country Specific Recommendations 2016](#) **SGP: - and MIP: -**
	1. Achieve a fiscal adjustment of 0.5% of GDP in 2016. Further **improve the cost-effectiveness and governance of the healthcare sector**.	**Some progress:** **Some progress** has been made in improving the cost-effectiveness and governance of the healthcare sector. Several measures are currently at various stages of implementation. These include projects aimed at improving the efficiency of the reimbursement system in hospitals and the transformation of selected public hospitals into non-profit entities.	**1. Take measures to ensure the long-term sustainability of public finances**, in light of future risks in the area of healthcare. Adopt legislation to strengthen the fiscal framework.
	2. Fight tax evasion, **simplify the tax system and implement the anti-corruption plan**. Take measures to increase the transparency and efficiency of public procurement, in particular by establishing a central register of public contracts and strengthening guidance and supervision.	**Some progress:** **Some progress** has been made in fighting tax evasion, with a particular focus on VAT. Starting in 2016, the VAT control statement was introduced while the evidence of electronic sales was adopted by the Chamber of Deputies in February 2016. **No progress** has been made in simplifying the tax system. **Some progress** has been made in implementing the anti-corruption plan. Acts on the conflict of interest and on regulating the financing of political parties are, as of February 2016, subject to discussion in the Parliament. **Some progress** has been made in increasing the transparency and efficiency of public procurement. A central register of public contracts has been set up, but guidance and supervision for public buyers have not been improved.	**2. Reduce regulatory and administrative barriers to investment**, notably in transport and energy, and increase the availability of e-government services. **Adopt the outstanding anti-corruption reforms and improve public procurement practices**.
	3. Reduce the high level of taxation levied on low-income earners, by shifting taxation to other areas.	**Limited progress:**	

	Further improve the availability of affordable childcare.	**Limited progress** has been made in reducing the high level of taxation levied on low-income earners, by shifting taxation to other areas. A proposed amendment concerning tax credits for parents is likely to reduce the level of taxation. However, it does not directly target the low-income earners, as recommended. **Some progress** has been made in further improving the availability of affordable childcare. Under the Act on Child Groups, 61 groups had been registered by November 2015. The Education Act was amended in September 2015 introducing an obligatory year of pre-school education. The right to a place in kindergarten will be given to 4-year-old children from the 2017/2018 school year and later to 3-year-old children.	
	4. Adopt the higher education reform. Ensure adequate training for teachers, support poorly performing schools and take measures to increase participation among disadvantaged children, including Roma.	**Some progress:** **Substantial progress** has been made in adopting the higher education reform. The higher education reform was adopted by the Chamber of Deputies in January 2016. **Limited progress** has been made in ensuring adequate training for teachers, supporting poorly performing schools and taking measures to increase participation among disadvantaged children, including Roma, in mainstream education. The Long-Term Plan for Education 2015-2020 and the Action Plan for Inclusive Education 2016-2018 envisage support and standards for teachers. A new career system for teachers is being developed, although its implementation has been postponed.	
			3. Strengthen governance in the R&D system and facilitate the links between academia and enterprises. Raise the attractiveness of the teaching

			profession and take measures to increase the inclusion of disadvantaged children, including Roma, in mainstream schools and pre-schools. Remove the obstacles to greater labour market participation by under-represented groups, particularly women.

DK	Country Specific Recommendations 2015 **SGP: CSR 1 and MIP: -**	Assessment of implementation of CSR 2015 **(based on COM staff document)**	Draft Country Specific Recommendations 2016 **SGP: CRS 1 and MIP: -**
	1. Avoid deviating from the medium-term budgetary objective in 2016.	The Commission is to assess CSRs related to compliance with the Stability and Growth Pact in spring 2016 once the final data will become available.	**1. Respect the medium-term budgetary objective in 2016 and achieve an annual fiscal adjustment** of 0.25% of GDP towards the medium-term budgetary objective in 2017.
	2. Enhance productivity, **in particular in the services sectors oriented towards the domestic market, including retail and construction**. Ease the restrictions on retail establishments and take further measures to remove remaining barriers posed by authorisation and certification schemes in the construction sector.	**Limited progress:** **Limited progress** was made on easing restrictions on retail establishment. The government published a new Growth and Development Strategy in November 2015, in which it proposed to liberalise the planning framework. The proposal is currently being negotiated. If adopted as proposed, the measures would significantly improve establishment conditions. However, they would not provide the possibility to establish significantly larger grocery stores than at present. This may constitute a barrier to entry, in particular for certain retailers from other Member States. **Limited progress** was made on removing the remaining barriers posed by authorisation and certification schemes in the construction sector. The initiatives presented in the 2014 strategy document 'Towards a stronger construction sector in Denmark' represent a step in the right direction, in particular the undertaking to review construction legislation and map existing national standards to see if they can be replaced by international standards. However, the impact of the strategy remains to be seen and no other reforms have been reported subsequently.	**2. Enhance productivity and private sector investment by increasing competition in the domestic services sector**, in particular by facilitating market entry in retail and construction. Incentivise the cooperation between businesses and universities.

DE	**Country Specific Recommendations 2015** **SGP: - and MIP: CSR 1, 2, 3**	**Assessment of implementation of CSR 2015** **(based on COM staff document)**	**Draft Country Specific Recommendations 2016** **SGP: - and MIP: CRS 1, 2, 3**
	1. Further increase public investment in infrastructure, education and research. **To foster private investment, take measures to improve the efficiency of the tax system**, in particular by reviewing the local trade tax and corporate taxation and by modernising the tax administration. Use the ongoing review to improve the design of fiscal relations between the federation, *Länder* and municipalities, particularly with a view to **ensuring adequate public investment at all levels of government**.	**Limited progress:** (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact): **Limited progress** in increasing public investment in infrastructure. While so far no sustainable upward trend in public investment could be observed, the federal government has adopted several measures to increase infrastructure investment in the years to come. However, these extra funds still appear insufficient to meet the infrastructure investment gap. **Limited progress** in increasing public investment in education. Despite more spending at federal level, expenditure on education as a proportion of GDP at the level of general government has remained stable in recent years and well below the EU average. Overall public and private education and research expenditure has only slightly increased in recent years and may have fallen short of the national target of 10 % of GDP. **Limited progress** in increasing public investment in research. Public expenditure on research and development remained stable at around 0.8 % of GDP in recent years, and total public and private expenditure at around 2.8 % of GDP. The federal government has budgeted further increases in research spending. **Limited progress** in improving the efficiency of the tax system. The steps taken to modernise tax administration were limited to the adoption by the	**1. Achieve a sustained upward trend in public investment**, especially in infrastructure, education, research and innovation, by using the available fiscal space and prioritising expenditure. **Improve the design of federal fiscal relations**, also with a view to addressing the persistent public under-investment, especially at municipal level. *See CSR 2 (tax system)*

		federal government of legislation to simplify tax administration procedures.	
	2. Increase incentives for later retirement. **Take measures to reduce high labour taxes and social security contributions**, especially for low-wage earners, and address the impact of fiscal drag. Revise the fiscal treatment of mini-jobs to facilitate the transition to other forms of employment.	**Limited progress:** **Limited progress** in increasing incentives for later retirement. There are proposals to improve incentives for later retirement (Flexi-Rente), but they have not been formalised yet. It remains to be assessed how effective these proposals can be in counteracting the incentives for early retirement introduced in 2014. **Limited progress** in reducing labour taxation and fiscal drag. The positive impact on households' incomes and consumption from the slight increase in minimum income tax allowances and compensation of fiscal drag might be largely offset by higher social contributions from employees. **No progress** revising the fiscal treatment of mini-jobs to facilitate the transition to other forms of employment. There has been transition to other forms of employment as a by-product of introducing the minimum wage. Standard employment has also been made less costly to businesses. The fiscal treatment of mini-jobs has not been revised.	**3. Increase incentives for later retirement and reduce disincentives to work for second earners**. **Reduce the high tax wedge for low wage earners** and facilitate the transition from mini jobs to standard employment.
	3. Take more ambitious measures to stimulate competition in the services sector, in particular in professional services, by eliminating unjustified restrictions such as legal form and shareholding requirements and fixed tariffs. To this end, conclude the ongoing domestic review of these barriers and take follow-up measures. Remove the remaining barriers to competition in the railway markets, in particular in long-distance rail passenger transport.	**Limited progress:** **Limited progress** in eliminating unjustified restrictions in professional services. Germany has agreed to abolish mandatory fixed tariffs for tax advisers. The action plan submitted by Germany as a result of mutual evaluation on access and practise requirements for regulated professions announces a limited number of actions for certain professions. **No progress** in removing the remaining barriers to competition in the railway markets. Directive	**2. Reduce inefficiencies in the tax system**, in particular by reviewing corporate taxation and the local trade tax, modernise the tax administration and review the regulatory framework for venture capital. **Step up measures to stimulate competition in the services** sector, in particular in business services and regulated professions.

		2012/34/EU establishing a single European railway area will be transposed in 2016 but changes in track access charges will be introduced only in 2017 or later.	

EE	[Country Specific Recommendations 2015](#) **SGP: CSR 1 and MIP: -**	[Assessment of implementation of CSR 2015](#) **(based on COM staff document)**	[Draft Country Specific Recommendations 2016](#) **SGP: - and MIP: -**
	1. Avoid deviating from the medium-term budgetary objective in 2015 and 2016.	The Commission is to assess CSRs related to compliance with the Stability and Growth Pact in spring 2016 once the final data will become available.	
	2. Improve labour market participation, including by implementing the Work Ability Reform. Improve incentives to work through measures targeting low-income earners. Take action to narrow the gender pay gap. **Ensure high-quality social services** and availability of childcare services at local level.	**Some progress:** **Some progress** in improving labour market participation, including by implementing the Work Ability Reform as the Work Ability reform was enforced from January 1st, 2016 by providing active labour market services. With the entry into force of the Work Ability Allowance Act from July 1st assessment according to the new methodology will start and work ability allowances paid out. However, the new system will be fully operational only from January 2017 when the re-assessments start. **Some progress** in improving incentives to work for low-income earners, as Estonia has adopted a series of measures increasing the minimum wage and reducing labour taxation. However, overall, the tax measures adopted appear to act only on a relatively narrow range of incomes and their positive impact is expected to fade out relatively soon in a context of still relatively rapid wage increases. Finally, the tax refund for low-income earners gives rise to rather high effective marginal tax rates for incomes between EUR 480 and EUR 649 per month and risks providing disincentives in this part of the income distribution. **Limited progress** in reducing the gender pay gap. The Estonian government is planning some actions in 2016 to address the gender pay gap, through a	**1. Ensure the provision and accessibility of high quality public services**, especially social services, at local level, inter alia by adopting and implementing the proposed local government reform. **Adopt and implement measures to narrow the gender pay gap**, including those foreseen in the Welfare Plan.

		legislative change of the Gender Equality Act and implementation of the Welfare Plan. A legislative proposal is planned for May 2016 to mandate labour inspectors the right to observe the implementation of the principle of equal pay by employers. Policy proposals are also planned on making the current parental leave system more flexible. The draft Welfare Plan 2016-2023, to be adopted in March 2016, encompasses strategic aims for employment, social protection, gender equality and equal treatment policies. These measures have been announced but remain to be implemented. **Some progress** in ensuring high-quality social services at local level, as amendments have been made to the Social Welfare Act and minimum requirements for nine social services entered into force on 1 January 2016. However, the actual impact of these measures depends on the level of cooperation between the local authorities and on the overall local government reform. **Some progress** in the availability of childcare services, as the trend of meeting the need is clearly improving, with additional places being created each year with the help of the European Structural and Investment Funds.	
	3. Increase participation in vocational education and training, and its labour market relevance, in particular by improving the availability of apprenticeships. **Focus public support for research and innovation on a coordinated implementation of the limited number of smart specialisation areas**.	**Some progress:** **Some progress** in increasing participation in vocational education and training, and its labour market relevance, in particular by improving the availability of apprenticeships. Cooperation with social partners on VET and the provision of apprenticeships are picking up with the implementation of the thematic programme on VET, although dropout rates remain high.	**2. Promote private investment in research, development and innovation**, including by strengthening cooperation between academia and businesses.

		Some progress in focusing public support for research and innovation on coordinated implementation of a limited number of smart specialisation areas. Estonia has put on place its smart specialisation framework, taking measures to implement its research, development and innovation strategy ‘Knowledge-based Estonia’ and its Entrepreneurship Growth Strategy. A steering committee worked to ensure synergies in implementation, involving the two main ministries, industry and academia. However, although the Estonian Development Fund monitored progress in the analysis of growth areas, it reported no outputs in 2015. Institutional coordination of implementation needs to be reinforced.	

IE	Country Specific Recommendations 2015 **SGP: CSR 1, 2 and MIP: CSR 1, 4**	Assessment of implementation of CSR 2015 **(based on COM staff document)**	Draft Country Specific Recommendations 2016 **SGP: CSR 1 and MIP: CSR 1, 3**
	1. Ensure a durable correction of the excessive deficit in 2015. Achieve a fiscal adjustment of 0,6 % of GDP towards the medium-term budgetary objective in 2016. Use windfall gains from better-than-expected economic and financial conditions to accelerate the deficit reduction and debt reduction. Limit the existing discretionary powers to change expenditure ceilings beyond specific and predefined contingencies. **Broaden the tax base and review tax expenditures,** including on value-added taxes.	**Limited progress:** **No progress** in limiting discretionary powers to change expenditure ceilings. These have been revised up repeatedly on the back of better than expected growth, i.e. beyond specific and predefined contingencies. No changes have been made to the legal framework defining the conditions under which expenditure ceilings can be revised. **Limited progress** in broadening the tax base. Announced measures implementing internationally agreed efforts to reduce tax avoidance are likely to contribute to broadening the tax base. However, changes to the universal social charge, postponement of the revaluation of self-assessed property values used to calculate local property tax liabilities and introduction of further tax credits in the 2016 budget are likely to narrow the tax base. A report on tax expenditure was published recently but is limited in scope as it covers only a limited number of tax expenditures and does not cover VAT at all.	**1.** Following the correction of the excessive deficit, **achieve an annual fiscal adjustment** of 0.6 % of GDP towards the medium-term budgetary objective in 2016 and in 2017. Use windfall gains from strong economic and financial conditions, as well as from asset sales, to accelerate debt reduction. **Reduce vulnerability to economic fluctuations and shocks**, **inter alia by broadening the tax base**. **Enhance the quality of expenditure**, particularly by increasing cost-effectiveness of healthcare and by prioritising government capital expenditure in R&D and in public infrastructure, in particular transport, water services and housing.
	2. Take measures to increase the cost-effectiveness of the healthcare system, including by reducing spending on patented medicines and gradually implementing adequate prescription practices. Roll out activity-based funding throughout the public hospital system.	**Some progress:** Ireland has made **some progress** in increasing cost-effectiveness in the healthcare system, even though it remains an issue, with renewed expenditure overruns in 2015. Savings on pharmaceuticals have been generated by the increased recourse to generics and the use of internal reference prices and lists of interchangeable medicines. Prescription by international non-proprietary name is still not compulsory for medicines to be dispensed in Ireland. The planned mid-term review of the agreement on the	

		supply and pricing of patented medicines with the Irish Pharmaceutical Healthcare Association (IPHA) was never concluded. Formal engagement with the IPHA for its replacement is only expected to start in early 2016. An Activity Based Funding Implementation Plan 2015-2017 was published in May 2015.	
	3. Take steps to increase the work-intensity of households and to address the poverty risk of children by tapering the withdrawal of benefits and supplementary payments upon return to employment and through better access to affordable full-time childcare.	**Some progress:** **<u>Some progress</u>** in increasing the work intensity of households. Reforms to the One Parent Family Payment (OFP) are continuing. The largest group of recipients of OFP, around 30 000, transitioned to a jobseeker's payment in July 2015. **<u>Some progress</u>** in addressing the poverty risk of children. The 2016 budget announced that Child Benefit would increase by a further EUR 5 to EUR 140 per month per child. A new Social Inclusion and Community Activation Programme was launched in April 2015. The programme aims to cater for individuals who are further from the labour market. Target groups include children and families from disadvantaged areas and lone parents. **<u>Some progress</u>** in tapering benefits. The 2016 budget announced reforms to the Family Income Supplement, which has increased the number of eligible families. The roll-out of the Housing Assistance Payment, which reduces the disincentive to return to work arising from housing subsidies for the unemployed, is continuing. **<u>Some progress</u>** in improving access to childcare. The Inter-departmental Working Group on Investment in Childcare identified a number of policy options to strengthen childcare services. The 2016 budget	**2.** Expand and accelerate the implementation of activation policies **to increase the work intensity of households** and **address the poverty risk of children.** Pursue measures to incentivise employment by **tapering the withdrawal of benefits and supplementary payments**. Improve the provision of quality, affordable full-time childcare.

		announced plans for the development of a single Affordable Childcare Programme providing a new simplified childcare subsidy programme to be in place in 2017. The 2016 budget also announced new funding for childcare amounting to EUR 85 million and increasing the total funding for childcare by a third. EUR 47 million will be spent on a second year of free preschool education for children from 3 years of age until they start primary school.	
	4. Finalise durable restructuring solutions for a vast majority of mortgages in arrears by end-2015 and strengthen the monitoring arrangements by the Central Bank of Ireland. Ensure that restructuring solutions for loans to distressed SMEs and residual commercial real-estate loans are sustainable by further assessing banks' performance against own targets. **Take the necessary steps to ensure that a central credit registry is operational by 2016**.	**Some progress:** **Some progress** in finalising durable restructuring solutions. The Central Bank of Ireland has requested banks to provide plans on how they intend to conclude sustainable solutions with the vast majority of mortgage borrowers in arrears by the end of Q1-2016. As of the end of September 2015, 86 % of concluded restructuring solutions were meeting the terms of arrangements. However, meeting the terms of the arrangement is not necessarily an indicator of sustainability. Not all restructures are sustainable solutions since they include short-term solutions, such as interest only restructures. **Substantial progress** in strengthening monitoring arrangements. The five main mortgage holders' mortgage restructuring proposals are now monitored by the Central Bank of Ireland through a more granular framework that has replaced the mortgage arrears restructuring targets. The Central Bank of Ireland started publishing statistics on non-bank lenders' mortgage arrears portfolios in early 2015, as more non-banks hold mortgage loan arrears, especially long-term ones. **Some progress** in ensuring restructuring solutions for loans to SMEs. The Central Bank of Ireland continues with the monitoring of distressed SME and	**3. Finalise durable restructuring solutions to lower non-performing loans**, to ensure debt sustainability of households and to encourage lenders to reduce the debt of excessively leveraged yet viable businesses. **Accelerate the phasing-in of a fully operational central credit registry covering all categories of lenders and debtors.**

		commercial real estate loan resolution against the set of key performance indicators. Still, their resolution continues to be a lengthy process. The National Asset Management Agency (NAMA) is ahead of schedule with the sale of its development property and commercial loan portfolio. NAMA is due to be wound down in 2018. **<u>Some progress</u>** in ensuring restructuring solutions for loans to SMEs. The Central Bank of Ireland continues with the monitoring of distressed SME and commercial real estate loan resolution against the set of key performance indicators. Still, their resolution continues to be a lengthy process. The National Asset Management Agency (NAMA) is ahead of schedule with the sale of its development property and commercial loan portfolio. NAMA is due to be wound down in 2018. **<u>Some progress</u>** in setting up a credit registry. A revised plan for the implementation of the central credit registry has been adopted while pushing back the timeline for effective implementation. Lenders may start submitting data on individuals from the end of September 2016, while the deadline for the submissions for all categories will only be at the end of 2017. Inquiries to the central credit registry when granting new loans to individuals will become mandatory for lenders from 2018 onwards, while it will become obligatory for all categories of loan in mid-2018. The development of secondary legislation is still ongoing, with the intention to finalise the regulations by March 2016.	

EL	Country Specific Recommendations 2015	**Assessment of implementation of CSR 2015** (based on COM staff document)	Draft Country Specific Recommendations 2016
	To avoid duplication with measures set out in the Economic Adjustment Programme, there are no additional recommendations for Greece.		To avoid duplication with measures set out in the Economic Adjustment Programme, there are no additional recommendations for Greece.

ES	Country Specific Recommendations 2015 **SGP: CSR 1 and MIP: CSR 1, 2, 3, 4**	Assessment of implementation of CSR 2015 **(based on COM staff document)**	Draft Country Specific Recommendations 2016 **SGP: CSR 1 and MIP: CSR 1, 2, 3, 4**
	1. Ensure a durable correction of the excessive deficit by 2016 by taking the necessary structural measures in 2015 and 2016 and using windfall gains to accelerate the deficit and debt reduction. **Strengthen transparency and accountability of regional public finances**. Improve the **cost-effectiveness of the healthcare sector**, and rationalise hospital pharmaceutical spending.	**Limited progress:** **Some progress** has been made to strengthen transparency and accountability of regional public finances. On 30/10/15, IGAE, the state general comptroller, issued guidelines on how to implement the spending rule at regional government level. Moreover, the Ministry of Finance is expected to start publishing detailed data on regional governments' spending on health and pharmaceutical products in early 2016, following the amendments made to Spain's general law on healthcare in July 2015. Despite progress made throughout the previous legislature, there remains room for achieving greater convergence of budgetary codes, budgetary documents, accompanying tables and public accounting rules for regional governments in the interest of transparency. **Limited progress** has been made in improving the cost-effectiveness of the healthcare sector, and rationalising hospital pharmaceutical spending. The new voluntary fiscal rule supposed to limit growth in healthcare spending in 2015 and 2016 needs to be implemented by regions. The agreement with pharmaceutical industry should in 2016 limit growth in expenditure on original non-generic prescription drugs to the reference GDP growth rate.	**1. Ensure a durable correction of the excessive deficit by 2017, reducing the general government deficit to 3.7% of GDP in 2016 and to 2.5% of GDP in 2017**, by taking the necessary structural measures and by using all windfall gains for deficit and debt reduction. This is consistent with an improvement in the structural balance of 0.25% of GDP in 2016 and of 0.5% of GDP in 2017. **Implement at all government levels the tools set out in the fiscal framework law**. Enhance control mechanisms for public procurement and coordination of procurement policies across government levels.
	2. Complete the reform of the savings bank sector, including by means of legislative measures, and complete the restructuring and privatisation of state-owned savings banks.	**Substantial progress:** The implementation of the savings bank reform is well advanced. The law on savings banks (Law 26/2013) to reduce controlling stakes of banking foundations in the banks was finally implemented	

		with Royal Decree 877/2015 and Circular 6/2015. There was no further progress on privatisation of state-owned banks. The entry into force of a new accounting framework for SAREB, the Spanish asset management company, is a positive development, as it will allow proper treatment of impairments and asset-price evolution, and help in adapting deleveraging policies of SAREB to credible market assumptions.	
	3. Promote the alignment of wages and productivity, in consultation with the social partners and in accordance with national practices, taking into account differences in skills and local labour market conditions as well as divergences in economic performance across regions, sectors and companies. **Take steps to increase the quality and effectiveness of job search assistance** and counselling, including as part of tackling youth unemployment. **Streamline minimum income and family support schemes and foster regional mobility**.	**Some progress:** **Some progress** has been reached in wage setting, owing in particular to the latest collective bargaining agreement for 2015-2016 signed by social partners in June 2015. The agreement strives to take into account differences in skills and local labour market conditions, as well as divergences in economic performance across regions, sectors and companies. However, the number of workers covered by firm-level agreements is still very low. **Some progress** has been made to increase the quality and effectiveness of job search assistance and counselling, including as part of the tackling youth unemployment. The implementation of the Activation Strategy 2014-2016 is progressing very slowly, as well as the cooperation between the regions and the central government. The national Youth Guarantee was set in motion. However, participation in initiatives to increase labour market participation, entrepreneurship, and the employability of young people is still much lower than expected, and effective outreach mechanisms are lacking. **Limited progress** has been registered in ensuring effective minimum income support schemes that	**2. Take further measures to improve labour market integration**, by focusing on individualised support and strengthening the effectiveness of training measures. Enhance the capacity of regional employment services and reinforce their coordination with social services. **Address gaps and disparities in minimum income schemes and improve family support schemes, including access to quality child-care and long-term care.**

		allows smooth transition to the labour market. Income support schemes and social services are scattered across many institutions and levels of government that limit the portability and mobility of the beneficiaries. The delivery of family support schemes (notably affordable early childhood education and care, and long term care) remains poor and regional mobility has not improved.	
	4. Remove the barriers preventing businesses from growing, including barriers arising from size-contingent regulations; adopt the planned reform on professional services; **accelerate the implementation of the law on market unity**.	**Some progress:** **Some progress** has been made in removing the barriers preventing businesses from growing. Some measures were adopted since the publication of the 2015 Country Report for Spain with a view to fostering company growth. The April 2015 law on corporate finance aims to improve SME's access to bank credit and non-bank financing. The October 2015 law on the legal framework of public administration sets out the obligation to assess the impact of new legislation on SMEs. **No progress** has been made in adopting the planned reform of professional services. The Spanish government decided in 2015 not to pursue this reform. As a result, no draft law has been sent to Parliament, despite the fact that technical work linked to the reform had been completed. **Some progress** has been made in accelerating the implementation of the law on market unity. At the cut-off date of this report, the central government had completed around 60% of the planned amendments to sector specific legislation. The rate of completed amendments at regional level is around 17%, thus showing little progress since the publication of the 2015 Country Report for Spain. At the time of writing one agreement had been reached at sectoral	**4. Accelerate the implementation of the law on market unity at regional level.** Ensure implementation by the autonomous regions of the **reform measures adopted for the retail sector**. Adopt the planned reform on professional services and associations.

		conference level on gambling. However, some technical groups reporting to the sectoral conferences have made agreements in the areas of industry, tourism, urban and environmental regulations. Cooperation mechanisms among the different administrations set out in the Law, such as the electronic application to share information among central, regional and local authorities, are operational. Lastly, the law also introduces a complaint mechanism offering the possibility for economic agents to seek redress on barriers to market unity within shorter deadlines than ordinary administrative appeals. At the time of writing, 150 complaints had been submitted.	
			3. Take further measures to improve the labour market relevance of tertiary education, including by providing incentives for cooperation between universities, firms and research. **Increase performance-based funding of public research bodies** and universities and **foster R&I investment** by the private sector.

FR	Country Specific Recommendations 2015 **SGP: CSR 1 and MIP: CSR 1, 2, 3, 4, 5, 6**	Assessment of implementation of CSR 2015 **(based on COM staff document)**	Draft Country Specific Recommendations 2016 **SGP: CRS 1 and MIP: CSR 1, 2, 3, 4, 5**
	1. Ensure effective action under the excessive deficit procedure and a durable correction of the excessive deficit by 2017 by reinforcing the budgetary strategy, taking the necessary measures for all years and using all windfall gains for deficit and debt reduction. **Specify the expenditure cuts** planned for these years and provide an independent evaluation of the impact of key measures.	**Limited progress** (this overall assessment of CSR 1 excludes an assessment of compliance with the Stability and Growth Pact): **Limited progress** has been made in specifying the expenditure cuts planned up to 2017. The latest draft budgetary plan specified the expenditure cuts planned for 2016, but not for 2017. Moreover, no independent evaluation of the impact of the key measures included in the draft budgetary plan for 2016 was provided, due to the existence of many evaluations.	**1. Ensure a durable correction of the excessive deficit by 2017** by taking the required structural measures and by using all windfall gains for deficit and debt reduction. **Specify the expenditure cuts** planned for the coming years and step up efforts to increase the amount of savings generated by the spending reviews, including on local government spending, by the end of 2016. **Reinforce independent public policy evaluations** in order to identify efficiency gains across all sub-sectors of general government.

	2. Step up efforts to make the spending review effective, continue public policy evaluations and identify savings opportunities across all sub-sectors of general government, including on social security and local government. Take steps to limit the rise in local authorities' administrative expenditure. Take additional measures to **bring the pension system into balance**, in particular ensuring by March 2016 that the financial situation of complementary pension schemes is sustainable over the long term.	**Some progress:** **Some progress** has been made in making the spending review effective. The spending reviews may become an important tool to identify efficiency gains in public expenditure, despite the limited amount of savings generated by the first round of reviews that were considered in the draft budget for 2016. **Some progress** has been made on limiting the rise in local authorities' administrative expenditure. The spending norm (ODEDEL) for local authorities has been further specified in the draft budgetary plan for 2016, but is indicative rather than binding, while its in-year execution has not been monitored yet. **Substantial progress** has been made for the long-term sustainability of complementary pension schemes. On 30 October 2015 social partners agreed on a package of measures for complementary pension schemes (AGIRC-ARRCO) to improve the sustainability of complementary pension schemes, while strengthening incentives to work longer. According to social partners' estimations, a slight deficit for complementary pension schemes would persist in 2030 only under the most pessimistic scenarios provided by the Conseil d'Orientation des Retraites.	
	3. Ensure that the labour cost reductions stemming from the tax credit for competitiveness and employment and from the responsibility and solidarity pact are sustained, in particular by implementing them as planned in 2016. Evaluate the effectiveness of these schemes in the light of labour and product market rigidities. Reform in consultation with the social partners and in accordance with	**Some progress:** **Substantial progress** has been made in pursuing measures to reduce the cost of labour. The 2016 budget leaves the tax credit for competitiveness and employment (CICE) unchanged and confirms the implementation of the second phase of reductions in employers' social security contributions planned in	**2. Ensure that the labour cost reductions are sustained and that minimum wage developments are consistent with job creation and competitiveness.** Reform the labour law to provide more incentives for employers to hire on open-ended contracts.

	national practices, the wage-setting process to ensure that wages evolve in line with productivity. **Ensure that minimum wage developments are consistent with the objectives of promoting employment and competitiveness.**	the Responsibility and Solidarity Pact, albeit with a three months' delay from the original timing. Moreover, the third report on the CICE was published in September 2015 and a first ex post evaluation of its effects, based on firm-level data, is planned for September 2016. **Some progress** has been made in reforming the wage-setting process. The law on social dialogue adopted in August 2015 enables companies, through majority agreements, to conclude wage agreements valid for up to three years instead of one year. Moreover, a reform of the labour code has been announced for 2016. **Limited progress** has been made in ensuring that minimum wage developments are consistent with the objectives of promoting employment and competitiveness. While no increase of the minimum wage was granted in 2014, its automatic annual indexation process was not modified. In 2015 the minimum wage increased by 0.6 percentage point more than inflation while unemployment continued rising.	
	4. By the end of 2015, **reduce regulatory impediments to companies' growth**, in particular by reviewing the size-related criteria in regulations to avoid threshold effects. **Remove the restrictions on access to and the exercise of regulated professions**, beyond the legal professions, in particular as regards the health professions as from 2015.	**Some progress:** **Limited progress** has been made in reducing regulatory barriers to companies' growth. The measures taken or proposed to reduce barriers have limited impact (9 and 10 employee thresholds raised to 11) or are temporary (additional fiscal and social levies linked to reaching thresholds up to 50 employees have been frozen for 3 years). **Some progress** has been made in removing unjustified restrictions on access to and the exercise of regulated professions, notably the legal	**4. Remove barriers to activity in the services sector, in particular in business services and regulated professions.** Take steps to simplify and improve the efficiency of innovation policy schemes. By the end of 2016, **further reform the size-related criteria in regulations that impede companies' growth** and continue to simplify companies' administrative, fiscal and accounting rules by pursuing the simplification programme.

		professions. For health professions, the healthcare law somewhat eases such restrictions and relaxes shareholding requirements for pharmacies.Shareholding requirements for medical test laboratories have also been relaxed through a recent decree. Overall, in regulated professions authorisation schemes persist and generally there is a lack of transparency and comparability. Recently measures have been announced in the context of the simplification programme ('choc de simplification') but implementation remains to be completed.	
	5. Simplify and improve the efficiency of the tax system, in particular by removing inefficient tax expenditure. To promote investment, take action to reduce the taxes on production and the corporate income statutory rate, while broadening the tax base on consumption. Take measures as from 2015 to abolish inefficient taxes that are yielding little or no revenue.	**Limited progress:** **Limited progress** has been made to simplify and improve the efficiency of the tax system. The 2016 budget phases out one tax expenditure (for an amount of EUR 3 million from 2018), extends some existing ones, and creates a new one. At EUR 83.3 billion, their total amount is expected to remain globally stable in 2016 (minus 1.2 % on 2015). The government has taken a first set of technical measures to implement a withholding tax system for personal income tax by 2018. **Some progress** has been made to reduce the taxes on production (phasing out of C3S) but the effective average tax rate on corporations remains stable. **Limited progress** has been made to raise the tax base on consumption, indirectly through the increase in environmental taxation. The 2016 budget increases the carbon tax levied on energy consumption, from EUR 14.5 to EUR 22 per tCO_2. In addition, excise duties on fuels have increased. **No progress** has been made in abolishing inefficient taxes. Out of the more than 100 identified by the	**5. Take action to reduce the taxes on production and the corporate income statutory rate while broadening the tax base on consumption**, in particular as regards VAT. Remove inefficient tax expenditures, remove taxes that are yielding little or no revenue and adopt the withholding personal income tax reform by the end of 2016.

		Inspectorate-General of Finances ('Inspection Générale des Finances') in 2014, the 2016 budget deletes two, for a total amount of EUR 10 million, and creates five new ones.	
	6. Reform the labour law to provide more incentives for employers to hire on open-ended contracts. Facilitate take up of derogations at company and branch level from general legal provisions, in particular as regards working time arrangements. Reform the law creating the accords de maintien de l'emploi by the end of 2015 in order to increase their take-up by companies. Take action in consultation with the social partners and in accordance with national practices **to reform the unemployment benefit system in order to bring the system back to budgetary sustainability** and provide more incentives to return to work.	**Limited progress:** **Limited progress** has been made in reducing labour market segmentation. Higher social contributions for very short-term contracts have failed to provide more incentives for employers to hire on longer-term contracts, while the overall effect of the measures contained in the French Small Business Act announced by Prime Minister Manuel Valls on 9 June 2015 and adopted as part of the 2016 budget is unclear. A bonus of EUR 2 000 per year for two years was recently introduced for firms with fewer than 250 employees. This premium, however, concerns both permanent and fixed-term contracts of more than six months. Finally, the reform of the 'justice prud'homale' introduced by the Macron law ('loi Macron') could have reduced employers' costs associated to hiring an employee on a permanent rather than a fixed-term contract but it was overturned by the French constitutional court. **Limited progress** has been made in facilitating the take-up of derogations at company and branch level from general legal provisions. The reform of the labour regulation could grant more scope to company and branch level agreements to derogate from general legal provisions, but the details of the law are not yet known. **Some progress** has been made in reforming the employment conservation agreements ('accords de maintien de l'emploi'). The Macron law ('loi	**3. Improve the links between the education sector and the labour market**, in particular by **reforming apprenticeship and vocational training**, with emphasis on the low-skilled. By the end of 2016, **take action to reform the unemployment benefit system** in order to bring the system back to budgetary sustainability and to provide more incentives to return to work.

		Macron') modified those, but no new agreement has been signed since the adoption of this law. **Limited progress** has been made in reforming the unemployment benefit system. While the 2015 national reform programme announces a reform of the unemployment benefit system for 1 July 2016 at the latest, its content is not known at the moment.	

HR	[Country Specific Recommendations 2015](#) **SGP: CSR 1 and MIP: CSR 1, 2, 3, 4, 5, 6**	[Assessment of implementation of CSR 2015](#) **(based on COM staff document)**	[Draft Country Specific Recommendations 2016](#) **SGP: CSR 1 and MIP: CSR 1, 2, 3, 4, 5**
	1. **Ensure a durable correction of the excessive deficit** by 2016 by taking the necessary measures in 2015 and reinforcing the budgetary strategy for 2016. Publish and implement the findings of the expenditure review. **Improve control over expenditure at central and local level**, in particular by establishing a sanctioning mechanism for entities breaching budgetary limits. Adopt the Fiscal Responsibility Act and strengthen the capacity and role of the State Audit Office. **Introduce a recurrent property tax and improve VAT compliance**. Reinforce public debt management, in particular by publishing on an annual basis a debt management strategy and ensuring adequate resourcing.	**Limited progress** (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact): **Limited progress** in the publication and implementation of the spending review, as only some of the identified saving measures are being implemented (namely in the area of health care and the rationalisation of public agencies). Preparatory work has been undertaken on public-sector wage-setting. The findings of the review have not been published nor presented to Parliament. **Limited progress** in improving control over expenditure at central and local level, adopting the Fiscal Responsibility Act (FRA) and strengthening the capacity and role of the State Audit Office (SAO), as the government adopted a new standard form for fiscal impact assessments on new legislation and secured additional funding for the SAO. The adoption of the new FRA has been postponed. **Limited progress** in introducing a recurrent property tax and improving VAT compliance, as measures are being taken to improve tax compliance, including a gradual development of a compliance risks management system. A reform of communal charges, presented as a step in broader property taxation reform, has been initiated. **No progress** in reinforcing public debt management and ensuring adequate resourcing, as the publication	**1. Ensure a durable correction of the excessive deficit by 2016.** Thereafter, achieve an annual fiscal adjustment of at least 0.6% of GDP in 2017. Use any windfall gains to accelerate the reduction of the general government debt ratio. By September 2016, reinforce numerical fiscal rules and strengthen the independence and the mandate of the Fiscal Policy Commission. By the end of 2016, **improve budgetary planning and strengthen the multi-annual budgetary framework**. By the end of 2016, **start a reform of recurrent taxation of immovable property**. Reinforce the framework for public debt management. **Adopt and start implementing a debt management strategy for 2016-2018**.

		of a debt management strategy is delayed for end-2016 and no sufficient steps have been taken to ensure adequate resourcing.	
	2. Discourage early retirement by raising penalties for early exits. Improve the adequacy and efficiency of pension spending by tightening the definition of arduous and hazardous professions. **Tackle the fiscal risks in healthcare**.	**Limited progress:** **Limited progress** in discouraging early retirement and improving the adequacy and efficiency of pension spending, as planned policy action to encourage particular categories of workers to stay in longer employment has been put on hold. **Limited progress** in tackling the fiscal risks in healthcare, as the reduction in arrears in the health care system is not proceeding according to plan even though the financial situation of the hospital sectors is improving overall.	**2.** By the end of 2016, **take measures to discourage early retirement, accelerate the transition to the higher statutory retirement age and align pension provisions for specific categories with the rules of the general scheme.** Provide appropriate up- and re-skilling measures to enhance the employability of the working-age population, with a focus on the low-skilled and the long-term unemployed. **Consolidate social protection benefits** by reducing special schemes, aligning eligibility criteria, integrating their administration, and focus support on those most in need.
	3. Tackle the weaknesses in the wage-setting framework, in consultation with the social partners and in accordance with national practices, to foster the alignment of wages with productivity and macroeconomic conditions. Strengthen incentives for the unemployed and inactive to take up paid employment. Based on the 2014 review, carry out the reform of the social protection system and further consolidate social benefits by improving targeting and eliminating overlaps.	**Limited progress:** **Limited progress** in tackling the weaknesses in the wage-setting framework as preparatory steps have been taken to reform the wage-determination system in the public sector, but concrete measures have yet to be adopted. **Limited progress** in strengthening incentives to take up paid employment and carrying out the reform of the social protection system as the consolidation of social benefits is proceeding slowly and concrete reform plans following the 2014 review have not yet been put forward.	
	4. Reduce the extent of fragmentation and overlap between levels of central and local government by putting forward a new model for functional distribution of competencies and by rationalising the system of state agencies. Increase transparency and accountability in the public	**Limited progress:** **Limited progress** in reducing fragmentation and overlap between levels of central and local government as a comprehensive reform of local governance is lagging behind and the rationalisation	**3.** By the end of 2016, **start reducing fragmentation and improving the functional distribution of competencies in public administration** to improve efficiency and reduce territorial disparities in the delivery of public services. In consultation with social partners,

	corporate sector, in particular as regards managerial appointments and competency requirements. Advance the listing of minority packages of shares of public companies and privatisations.	of the agency system had been initiated but is currently on hold. **<u>Some progress</u>** in increasing transparency and accountability in the public corporate sector, as new legislation on managerial appointments has been adopted, though it remains to be established how the new provisions will be implemented. **<u>Limited progress</u>** in advancing the listing of minority packages of shares of public companies and privatisations as no new privatisations took place, apart from the recapitalisation of the state bank HPB with an increased share of private owners.	harmonise the wage-setting frameworks across the public administration and public services. Reinforce the monitoring of state-owned enterprises' performance and boards' accountability. Advance the listing of shares of state-owned companies and the divestment process of state assets.
	5. Significantly, **reduce parafiscal charges and remove excessive barriers for service providers**. Identify and implement steps to improve the efficiency and quality of the **justice system**, in particular commercial courts.	**Limited progress:** **<u>Limited progress</u>** in significantly reducing parafiscal charges and removing excessive barriers for service providers as 12 parafiscal charges were reduced or abolished (and 1 added), but main barriers for service providers remain unresolved, especially in professional and business services. **<u>Limited progress</u>** in identifying and implementing steps to improve the efficiency and quality of the justice system as proceeding and backlogs remain considerable and the use of electronic means to communicate with parties remains a challenge (despite some progress).	**4. Significantly reduce parafiscal charges. Remove unjustified regulatory restrictions hampering access to and the practice of regulated professions.** Reduce the administrative burden on businesses. *See CSR 5 (justice system)*
	6. Reinforce the pre-insolvency and insolvency frameworks for businesses in order to facilitate debt restructuring and put in place a personal insolvency procedure. **Strengthen the capacity of the financial sector to support the recovery in view of challenges from high non-performing corporate loans and foreign currency mortgage** loans, and weak governance practices in some institutions.	**Some progress:** **<u>Substantial progress</u>** in reinforcing the pre-insolvency and insolvency frameworks for businesses and putting in place a personal insolvency procedure as implementation of the amended corporate insolvency legislation is expected to contribute to faster resolution of impaired debt and	**5.** Take measures to **improve the quality and efficiency of the judicial system** in commercial and administrative courts. **Facilitate the resolution of non-performing loan**s, in particular by improving the tax treatment of the resolution of non-performing loans.

		the legislative framework for personal insolvency entered into force, tough implementation could prove challenging. **<u>Some progress</u>** in strengthening the capacity of the financial sector to support the recovery in view of challenges from high non-performing corporate loans. Although no additional measures to tackle the issue have been prepared, the non-performing loans (NPL) ratio is stabilising at a high level. The reform of the insolvency framework is expected to support a faster resolution of NPLs. **<u>Limited progress</u>** in strengthening the capacity of the financial sector to support the recovery in view of challenges from foreign currency mortgage loans, as the CHF loan conversion legislation puts strain on public finances and causes substantial losses for banks. **<u>Some progress</u>** in addressing the challenges from weak governance practices in some institutions, as there is a commitment from the authorities to carry out an asset quality review of the credit portfolio of the Croatian Bank for Reconstruction and Development (HBOR) in 2017.	

IT	[Country Specific Recommendations 2015](#) **SGP: CSR 1 and MIP: CSR 1, 2, 3, 4, 5, 6**	[Assessment of implementation of CSR 2015](#) **(based on COM staff document)**	[Draft Country Specific Recommendations 2016](#) **SGP: CSR 1 and MIP: CSR 1, 2, 3, 4, 5**
	1. Achieve a fiscal adjustment of at least 0,25 % of GDP towards the medium-term budgetary objective in 2015 and of 0,1 % of GDP in 2016 by taking the necessary structural measures in both 2015 and 2016, taking into account the allowed deviation for the implementation of major structural reforms. Ensure that the spending review is an integral part of the budgetary process. Swiftly and thoroughly implement the privatisation programme and use windfall gains to make further progress towards putting the general government debt ratio on an appropriate downward path. **Implement the enabling law for tax reform** by September 2015, in particular the revision of tax expenditures and cadastral values and the measures to enhance tax compliance.	**Limited progress:** (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact): **Limited progress** has been made regarding the spending review. Some positive spending review actions have been recently implemented in Italy, yet saving targets tend to be systematically lowered or underachieved. An encompassing intervention on tax expenditures and local public enterprises, as well as the implementation of the extension of centralised public procurement to the regional level are still pending. The deadline for the central government to reform the budgetary process towards a more performance-informed budgeting approach has been postponed. **Some progress** has been made regarding privatisations. Privatisation proceeds accounted for around 0.4 % of GDP in 2015, thanks to the operation related to ENEL and the successful initial public offering of the postal operator Poste Italiane. For 2016, projected privatisation proceeds earmarked to debt reduction amount to 0.5 % of GDP but details are not yet available and significant downside risks remain (given also the recent postponement of the privatisation of Ferrovie dello Stato beyond 2016). **Limited progress** has been made regarding the taxation reform. The enabling law for the reform of the tax system has been implemented by the foreseen deadline, featuring eight legislative decrees. Nevertheless, crucial aspects such as the reform of	**1. In 2016, limit the temporary deviation from the required 0.5% of GDP adjustment towards the medium-term budgetary objective** to the amount of 0.75% of GDP allowed for investments and the implementation of structural reforms, subject to the condition of resuming the adjustment path towards the medium-term budgetary objective in 2017. **Achieve an annual fiscal adjustment of at least 0.6% of GDP towards the medium-term budgetary objective in 2017**. Accelerate the implementation of the privatisation programme and use the windfall gains to accelerate the reduction of the general government debt ratio. **Shift the tax burden from productive factors onto consumption and property. Reduce the number and scope of tax expenditures and complete the reform of the cadastral system by mid-2017.** Take measures to improve tax compliance, including through electronic invoicing and payments.

		the outdated cadastral values and the systematic revision of tax expenditures were left out of its scope. Moreover, some of the implementing provisions, such as the higher threshold for cash payments and the revised sanctions system for tax-related offences raise doubts concerning their impact on tax evasion and avoidance. Last, but not least, simultaneously adopted tax reforms, such as the recent abolition of the property tax on first residences, appear at odds with the objective to broaden the tax base and shift the tax burden away from productive factors and onto property and consumption.	
	2. Adopt the planned national strategic plan for ports and logistics, particularly to help promote intermodal transport through better connections. **Ensure that the Agency for Territorial Cohesion is made fully operational so that the management of EU funds markedly improves**.	**Some progress:** **Limited progress** has been made regarding ports. The national strategic plan for port and logistics has been adopted, but the Constitutional Court accepted the Campania region’s plea for unconstitutionality as regions were not directly involved. After this problem has been overcome, the plan needs to be operationalised. **Some progress** has been made regarding the management of EU funds. The Agency for Territorial Cohesion is now operational. Furthermore, The department for cohesion policy has been reformed and is now part of the Prime Minister's office, but uncertainties remain in terms of staffing.	
	3. Adopt and implement the pending laws aimed at **improving the institutional framework and modernising the public administration**. Revise the statute of limitations by mid-2015. Ensure that the reforms adopted to **improve the efficiency of civil justice help reduce the length of proceedings.**	**Some progress:** **Some progress** has been made regarding the reform of the institutional framework and public administration. The enabling law to reform the public administration has been adopted in August 2015. In January 2016, a first set of implementing decrees (inter alia dealing with state-owned enterprises, local	**2. Implement the reform of the public administration** by adopting and implementing all necessary legislative decrees, in particular those reforming local public enterprises, local public services and the management of human resources. Step up the fight against corruption by revising the statute of limitations by the end of 2016. **Reduce the length of civil justice proceedings** by

		public services, the simplification of the Conferenza dei Servizi, and the simplification and speeding up of administrative procedures) has been proposed by the government. The parliamentary discussion on the constitutional reform – allowing more stable parliamentary majorities, changing the role of the Senate and clarifying the division of competences between the various government levels – is still ongoing but progressing according to schedule: the final vote by the Chamber of Deputies is expected in April 2016. A new electoral law has been adopted in May 2015 and will enter into force as of July 2016. **Limited progress** has been made regarding the fight against corruption. Maximum penalties for corruption were raised, which in turn extended prescription terms, but the underlying structural problems relating to the statute of limitations remain. A draft law containing provisions to this end is still under parliamentary discussion. **Some progress** has been made regarding the improvement of civil justice efficiency. The 2014 laws to reform the civil justice system are being implemented with some positive results. The digitalisation of civil trials has been mandatory at first instance since December 2014 and the possibility of electronic filing of the first exchange of statements between the parties in all first and second instance courts was introduced. The digitalisation of tax-related trials is still ongoing. The Ministry of Justice is continuing to pursue the so-called 'Barbuto Plan' and is implementing a multi-year project to reduce the backlog. Two enabling laws (on reforming the honorary magistracy and judges of peace, and streamlining civil procedural rules and reinforcing the specialisation of courts) are still under	enforcing reforms and through effective case-management.

		parliamentary discussion. Although these reforms can improve the functioning of the justice system, the latest evidence does not yet show positive results, in particular concerning the length of court proceedings.	
	4. By end-2015, introduce binding measures to **tackle remaining weaknesses in the corporate governance of banks**, implement the agreed reform of foundations, and take measures **to accelerate the broad-based reduction of non-performing loans**.	**Substantial progress:** **Substantial progress** has been made regarding the improvement of banks' corporate governance. Two important governance reforms relating to large cooperative banks and bank foundations are under implementation, and a third one on small mutual banks has just been presented by the government. **Some progress** has been made regarding the improvement of asset quality in the banking sector. Italy has passed a law intervening on the tax treatment of loan loss provisions and on the insolvency and foreclosure framework, which should contribute to the development of a private non-performing loan market. The authorities have also announced a state-aid-free guarantee scheme for NPL securitisations to achieve to significantly reduce the stock of impaired loans on banks' balance sheets. Although the growth of the NPL stock in the banking system has started to stabilise, it remains at a record high.	**3. Accelerate the reduction in the stock of non-performing loans**, including by further improving the framework for insolvency and debt collection. **Swiftly complete the implementation of ongoing corporate governance reforms in the banking sector**.
	5. Adopt the legislative decrees on the design and use of wage supplementation schemes, the revision of contractual arrangements, work-life balance and the strengthening of **active labour market policies**. Promote, in consultation with the social partners and in accordance with national practices, an effective framework for second-level contractual bargaining. As part of efforts to tackle youth unemployment, **adopt and implement the planned school reform**	**Substantial progress:** **Full implementation** has been achieved regarding the revision of wage supplementation schemes and contractual arrangements. The relevant legislative decrees following the Jobs Act have been adopted in June and September 2015.	**4. Implement the reform of active labour market policies**, in particular by strengthening the effectiveness of employment services. Facilitate the take-up of work for second earners. **Adopt and implement the national antipoverty strategy** and **review and rationalise social spending**.

	and expand vocationally-oriented tertiary education.	**<u>Substantial progress</u>** has been made regarding work-life balance and active labour market policies. The relevant legislative decrees following the Jobs Act have been adopted in June and September 2015. However, considerable administrative, political and resource challenges have to be overcome for the implementation of the measures related to active labour market policies which starts in the beginning of 2016. **<u>Limited progress</u>** has been made regarding the decentralisation of wage bargaining. In January 2016, the three main trade unions agreed on a proposal for a new bargaining framework. However, an agreement with the employers' associations still needs to be found. The 2016 Stability Law introduced tax incentives on productivity-related premiums agreed at decentralised level with the intention of fostering decentralised bargaining. **<u>Substantial progress</u>** has been made regarding the reform of education. The school reform adopted in July 2015, and implementing decrees are to be adopted by January 2017.	
	6. Implement the simplification agenda for 2015-17 to ease the administrative and regulatory burden. Adopt competition-enhancing measures in all the sectors covered by the competition law, and take decisive action to remove remaining barriers. Ensure that local public services contracts not complying with the requirements on in-house awards are rectified by no later than end-2015.	**Limited progress:** **<u>Some progress</u>** has been made regarding business environment simplification. The measures under the 2015-2017 simplification agenda are being implemented according to the timeline set. Progress reports are available on a dedicated website. **<u>Limited progress</u>** has been made regarding the fostering of competition in services. The 2015 annual competition law presented by the government in early 2015 has been voted in first reading by the Chamber of Deputies, but it is currently still under discussion in the Senate. Moreover, some provisions	**5. Swiftly adopt and implement the pending law on competition.** Take further action to increase competition in regulated professions, the transport, health and retail sectors and the system of concessions.

		have been watered down during the parliamentary process. **No progress** has been made regarding the rectification of local public service contracts. At the end of 2015, no information was available on the number and extent of non-compliant contracts and their rectification. However, important provisions to reform the sector have been included in the 2015 enabling law to reform the public administration.	

CY	Country Specific Recommendations 2015	Assessment of implementation of CSR 2015 (based on COM staff document)	Draft Country Specific Recommendations 2016 SGP: CSR 1 and MIP: CSR 1, 2, 3, 4, 5
	To avoid duplication with measures set out in the Economic Adjustment Programme, there are no additional recommendations for Cyprus.		**1. Following the correction of the excessive deficit, respect the medium-term budgetary objective** in 2016 and in 2017. By the end of 2016, **adopt a binding mechanism containing the growth rate of the compensation of public employees**. By the end of 2016, adopt the horizontal reform of the public administration and the law on the governance of state-owned entities, and implement the reform of local governments. By the end of 2016, adopt the secondary legislation to complete the new budgetary framework.
			2. By June 2017, **eliminate impediments to the full implementation of the insolvency and foreclosure frameworks** and ensure adequate resources for the Insolvency Service. Ensure reliable and swift systems for the issuance of title deeds and the transfer of immovable property rights. Increase the efficiency and capacity of the court system. Reform the civil procedure law.
			3. By the end of 2016, **take measures to ensure a decline in non-performing loans and accurate valuations of collateral for provisioning purposes.** Increase the range of information available for creditors to make the credit registry fully operational.
			4. Remove impediments to investment, notably by implementing the action plan for growth, pursuing the privatisation plan and strengthening the national regulatory authorities. Take measures to increase access to finance for small and medium-sized enterprises.
			5. Enhance the capacity of the public employment services and their provision to the long-term unemployed; improve outreach to the non-registered unemployed. Adopt legislation for a hospital reform

			and advance with the planned implementation of universal health care coverage.

LV	[Country Specific Recommendations 2015](#) **SGP: CSR 1 and MIP: -**	[Assessment of implementation of CSR 2015](#) **(based on COM staff document)**	[Draft Country Specific Recommendations 2016](#) **SGP: CSR 1 and MIP: -**
	1. Ensure that the deviation from the medium-term budgetary objective in 2015 and 2016 is limited to the allowance linked to the systemic pension reform.	The Commission is to assess CSRs related to compliance with the Stability and Growth Pact in spring 2016 once the final data will become available.	**1. Ensure that the deviation from the adjustment path towards the medium-term budgetary objective in 2016 and 2017 is limited** to the allowance linked to the systemic pension reform and the major structural reform in the healthcare sector. **Reduce the tax wedge for low-income earners** by exploiting a growth-friendly tax shift towards environmental and property taxes and improving tax compliance**.**
	2. Improve vocational education and training, speed up the curricula reform and increase the offer for work-based learning. Ensure that the new financing model of the higher education system rewards quality. **Better target research financing and incentivise private investment in innovation** on the basis of the Smart Specialisation Framework.	**Some progress:** **Some progress** has been made in improving vocational education. The Vocational Education Law provides for new institutions governing vocational education (Sectoral Expert Councils, convents) from May 2015, but no implementing regulations for their operation are yet provided. The curricula reform is progressing slowly (58 vocational education modular programmes (out of 240), 32 qualification exams (out of 242) and 80 occupational standards (out of 240) have been developed). The work-based learning pilot project runs from 2013, but an appropriate regulatory framework for work-based learning is not yet established. **Some progress** has been made towards a quality-oriented financing model for higher education. A new financing model has been put in place including quality-rewarding elements, but relatively little financing is provided for optimal development of the model. **Some progress** has been made in targeting research financing. The consolidation of research institutions	

		is ongoing. The innovation support framework has been established, but implementation is at an early stage.	
	3. Take concrete steps to **reform social assistance**, ensuring adequacy of benefits, and take measures to increase employability. **Reduce the high tax wedge for low-income earners** by shifting the tax burden to other sources less detrimental to growth. **Take action to improve the accessibility, cost-effectiveness and quality of the healthcare system** and link hospital financing to performance mechanisms.	**Limited progress:** **Limited progress** has been made in reforming social assistance and ensuring adequacy of benefits. The preparatory work is ongoing to reform social assistance by introducing the minimum income level from 2017, but its implementation is uncertain. The social assistance benefit adequacy has not improved since 2009. **Some progress** has been made in increasing the employability of social assistance benefit recipients. Support for social assistance clients and long-term unemployed will be expanded from early 2016 (motivational programmes, addiction treatment, social and psychological support, health assessment) covering 20 000 unemployed by 2023 (50 000 were long-term unemployed in Q3-2015). **Limited progress** has been made in reducing the high tax wedge for low-income earners by shifting the tax burden to other sources less detrimental to growth. The 2016 budget measures make labour taxation more progressive, but marginally reduce the high tax wedge on low wages. However, the tax burden has been shifted little to other sources less detrimental to growth. **Limited progress** has been made in improving the accessibility, cost-effectiveness and quality of the healthcare system and in linking hospital financing to performance mechanisms. Access has been	**2.** Improve the **adequacy of social assistance benefits** and step up measures supporting recipients in finding and retaining work, including through increased coverage of activation measures. Speed up the curricula reform in **vocational education**, establish with the involvement of social partners a regulatory framework for apprenticeship-type schemes and increase their offer. Improve the accessibility, quality and cost-effectiveness of the **healthcare system**.

		prioritised for critical medical cases, while financial constraints limit supply of services in general. Hospital budget envelopes are set considering historical case-based costs, but intra-year financing is not yet directly linked to actual costs per case.	
	4. Improve efficiency of the judicial system, by increasing accountability of all parties (including insolvency administrators), by providing adequate means to fight tax evasion and by strengthening the role of the Judicial Council. **Improve the public service legislation** to strengthen the conflict of interest regime and link remuneration to responsibilities.	**Limited progress:** **Some progress** has been made in improving the efficiency of the judicial system. Amendments to the civil procedure law entered into force in May 2015 extending the possibilities to redistribute cases to other courts. Some court specialisation has been introduced. A legislative proposal to strengthen the role of the Judicial Council is before the national parliament. **Limited progress** has been made in increasing the accountability of insolvency administrators. The key provisions of the legislative reform increasing the accountability of insolvency administrators were ruled out by the constitutional court on the ground of lack of proportionality. Some legislative changes improving insolvency proceedings were adopted. **Some progress** has been made in providing adequate means to fight tax evasion. Administrative and legislative measures have been taken to improve tax collection, but some measures have not been passed. Further measures are included in the 2016 budget and the draft plan for tackling the shadow economy. **No progress** has been made in improving the public service legislation. The draft Public Service Law has not progressed in Parliament since February 2015. The conflict of interest regime has not been strengthened.	**3.** Pursue the **consolidation of research institutions** and **provide incentives for private investment in innovation.** Strengthen the conflict of interest prevention regime and **set up a common legal framework for all public employees**. Increase the accountability and public oversight of insolvency administrators.

LT	Country Specific Recommendations 2015 **SGP: CSR 1 and MIP: -**	Assessment of implementation of CSR 2015 **(based on COM staff document)**	Draft Country Specific Recommendations 2016 **SGP: CSR 1 and MIP: -**
	1. Avoid deviating from the medium-term budgetary objective in 2015 and ensure that the deviation in 2016 is limited to the allowance linked to the systemic pension reform. **Broaden the tax base and improve tax compliance.**	**Limited progress** (this overall assessment of CSR1 does not assess compliance with the Stability and Growth Pact): **Limited progress** in reviewing the tax system. Minor amendments have been made to increase environmental and property taxation and to narrow tax exemptions for capital income. **Some progress** has been made to improve tax compliance. The government introduced several measures, in particular a 'VAT Invoice register' project to improve the collection of VAT.	**1. Ensure that the deviation from the medium-term budgetary objective is limited to the allowance linked to the systemic pension reform** in 2016 and in 2017. Reduce the tax burden on low-income earners by shifting the tax burden to other sources less detrimental to growth and improve tax compliance, in particular in the area of VAT.
	2. Address the challenge of a shrinking working-age population by **improving the labour-market relevance of education**, increasing attainment in basic skills, and **improving the performance of the healthcare system**; **reduce the high tax wedge for low-income earners** by shifting the tax burden to other sources less detrimental to growth.	**Limited progress:** **Some progress** has been made to improve the labour-market relevance of education. Infrastructure for training has been further improved. Some progress has been made on putting in place modular VET training programmes, on improving VET governance and on offering more work-based learning opportunities. **Limited progress** has been made to increase attainment in basic skills. **Limited progress** has been made to improve the effectiveness of the health system. The government is working on measures to improve the efficiency and quality of the healthcare system.	**2. Strengthen investment in human capital and address skills shortages, by *improving the labour market relevance of education***, raising the quality of teaching and pursuing more active labour market policies and adult learning. Strengthen the role of social dialogue mechanisms. **Improve the performance of the healthcare system** by strengthening outpatient care, disease prevention and health promotion. **Improve the coverage and adequacy of unemployment benefits and social assistance.**

		Limited progress on reducing the high tax wedge for low income earners by shifting the tax burden to other sources less detrimental to growth. Although Lithuania made some progress in reducing low income earners' tax burden, no progress was made in shifting the tax burden towards more growth friendly taxes; therefore the overall progress is limited. In addition, the government has scaled down the scope of newly introduced landfill taxes (contrary to previous plans).	
	3. Adopt a **comprehensive reform of the pension system** that also addresses the challenge of achieving pension adequacy. **Improve the coverage and adequacy of unemployment benefits and cash social assistance** and improve the employability of those looking for work.	**Limited progress:** **Limited progress** on the comprehensive pension system reform. Lithuania has announced measures to address the CSR under the legislative package on the so called 'social model', amendments to the Law on state social insurance pensions, the Law on unemployment social insurance, and the new edition of the Labour Code). However, it is uncertain whether they will be adopted by June 2016. **Limited progress** on improving the coverage and adequacy of unemployment benefits and cash social assistance. Lithuania has announced measures to address the coverage and adequacy of unemployment insurance benefits. However, it is uncertain whether they will be adopted by June 2016. No measures are envisaged for improving the adequacy and coverage of social assistance and the employability of beneficiaries of cash social assistance. **Some progress** on improving the employability of those looking for work. The legislative package on the so called 'social model' includes measures to foster job creation, but adoption by June 2016 remains uncertain. Lithuania has reinforced	*See CSR 2 (unemployment benefits and social assistance)*

		provision of ALMP measures, especially vocational training and employment subsidies.	
			3. Take measures to **strengthen productivity** and **improve the adoption and absorption of new technology across the economy**. Improve the coordination of innovation policies and **encourage private investment**, *inter alia* by developing alternative means of financing.

LU	Country Specific Recommendations 2015 SGP: - and MIP: -	Assessment of implementation of CSR 2015 (based on COM staff document)	Draft Country Specific Recommendations 2016 SGP: - and MIP: -
	1. Broaden the tax base, in particular on consumption, recurrent property taxation and environmental taxation.	**No progress** (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact): **No progress** in broadening the tax base, in particular for consumption. In 2015 a series of measures, which had been previously legislated, entered into force. In particular, all VAT rates (except the super-reduced one) were increase by 2%. In addition, all real estate investments, excluding main residences, as well as the consumption of alcoholic beverages have become subject to the standard rate. However, over the last year no additional reform to broaden the tax base has been announced. **No progress** in broadening the tax base of the recurrent property taxation. It is not sure that the reform of the recurrent property taxation will be included in the forthcoming tax reform. **No progress** as to the broadening of the tax base of environmental taxation. The increase of VAT rate on energy products had been previously legislated. Over the last year no additional reform to broaden the tax base has been announced. A study on the reform of taxation of energy products for transport has been commissioned but has not been published yet. The government announced its intention to introduce a reform of the taxation system to enter into force at the beginning of 2017.	
	2. Close the gap between the statutory and effective retirement age, by limiting early	**Limited progress:**	**1. Ensure the long-term sustainability of public pensions** by further limiting early retirement, by

	retirement and by linking statutory retirement age to life expectancy.	**Limited progress** in relation to closing the gap between the statutory and effective retirement age, by limiting early retirement. In July 2015 a draft law was presented in front of the Parliament to modify early retirement schemes. However, while one scheme has been abolished, for other pre-retirement schemes accessibility conditions have been eased. The net impact is not clear. Moreover, the draft law on the reclassification of workers with working disabilities has been adopted in July 2015 and implemented since 1 January 2016. The law increased the possibilities to remain in the labour market for workers with working disabilities and consequently imply a reduction in the number of people entering an early retirement scheme. Finally, according to the 2012 pension reform a monitoring and evaluation exercise of the sustainability of the pension system should be carried out every 5 years since the adoption of the reform. The government confirmed its intention to advance the evaluation to 2016, compared to 2017 as originally planned, and created a Pension Working Group with the task to carry out the mentioned evaluation. **No progress** in linking statutory retirement age to life expectancy. No measures has been adopted or announced.	linking the statutory retirement age to life expectancy and by increasing incentives to work longer.
	3. Reform the wage-setting system, in consultation with the social partners and in accordance with national practices, with a view to ensuring that wages evolve in line with productivity, in particular at sectoral level.	**No progress:** **No progress** in reforming the wage-setting system, in consultation with the social partners and in accordance with national practices, with a view to ensuring that wages evolve in line with productivity, in particular at sectoral level. The government did not take action in relation to the recommendation to review the wage-setting system. The current low inflation environment has led to a delay in application	

		of the next wage indexation (the last one occurred in October 2013) and made the government action less urgent. In June 2015 the government has launched a study to analyse the impact of the sectors' interaction on the wage evolution. The results of the study are expected by the first semester 2016.	
			2. Remove barriers to investment and innovation that limit economic development in the business services sector. Address bottlenecks that hamper housing investment.

HU	[Country Specific Recommendations 2015](#) SGP: CSR 1 and MIP: CSR 1, 2, 3	[Assessment of implementation of CSR 2015](#) (based on COM staff document)	[Draft Country Specific Recommendations 2016](#) SGP: CSR 1 and MIP: -
	1. Achieve a fiscal adjustment of 0,5 % of GDP towards the medium-term budgetary objective in 2015 and of 0,6 % of GDP in 2016.	The Commission is to assess CSRs related to compliance with the Stability and Growth Pact in spring 2016 once the final data will become available.	**1.** In view of the high risk of a significant deviation, **achieve an annual fiscal adjustment of 0.3 % of GDP towards the medium-term budgetary objective in 2016 and of 0.6 % of GDP in 2017**, unless the medium-term budgetary objective is respected with a lower effort, by taking the necessary structural measures.
	2. Take measures to restore normal lending to the real economy and remove obstacles to market-based portfolio cleaning; considerably reduce the contingent liability risks linked to increased state ownership in the banking sector.	**Some progress:** **Some progress** was made in taking measures to restore normal lending and removing obstacles to market based portfolio cleaning. The authorities started to implement of commitments made in the Memorandum of Understanding with EBRD, including the considerable reduction of the tax on financial institutions. However, net lending to non-financial corporations does not show a revival yet. Asset quality of banks' balance sheet is being addressed through various initiatives (e.g. personal insolvency legislation, the capacity of the national Asset Management Company has been extended), but results are not yet visible. **No progress** was made in reducing the contingent liability risks. State ownership in the banking sector has rather been extended following the completion of the acquisition of Budapest Bank.	
	3. Reduce distortive sector-specific corporate taxes; remove the unjustified entry barriers in the service sector, including in the retail sector; reduce the tax wedge for low-income earners, including by shifting taxation to areas less distortive to growth; **continue to fight tax evasion, reduce compliance costs** and improve the efficiency of tax collection.	**Limited progress:** **Some progress** has been made in the reduction distortive sector-specific corporate taxes. The tax on financial institutions has been halved. In response to a suspension injunction by the European Commission, the progressive rates in the food	**2. Further reduce sector-specific taxes and reduce the tax wedge for low-income earners. Strengthen transparency and competition in public procurement** through e-procurement, increased publication of tenders and further improvement of the anti-corruption framework.

	Strengthen structures in public procurement that promote competition and transparency and further improve the anti-corruption framework.	inspection fee have been repelled. However, little change has been made regarding other sector-specific levies. **<u>Limited progress</u>** has been made in removing the unjustified entry barriers in the service sector. In the retail sector the high rates of the food safety inspection fee were lifted, but the overall level of restrictiveness remains high. **<u>Limited progress</u>** has been made to reduce the tax wedge for low-income earners. Steps have been taken (including a 1 pp. cut in the uniform tax rate of the personal income tax, and an increase of the family tax allowance for earners with two children) but measures are not sufficiently well targeted to achieve a significant effect for low-income earners. **<u>Substantial progress</u>** has been made to fight tax evasion. Recent policies put in place to combat VAT avoidance and tax evasion seem to have produced visible yields and the 2016 budget counts on further revenue gains. **<u>Limited progress</u>** has been made in the reduction of compliance costs and the improvement of the efficiency of tax collection. **<u>Limited progress</u>** has been made as regards promoting competition and transparency (e.g. through the adoption of the new Public Procurement Act, the compliance of which with EU law is still to be assessed), important actions are delayed, especially in the field of e-procurement, and the indicators on public procurement show that competition and transparency are still unsatisfactory in public procurement.	**Improve the regulatory environment in the services sector and in the retail sector** by addressing restrictive regulations and ensuring predictability.

		<u>No progress</u> has been registered in improving the anti-corruption framework. No changes are envisaged to make the new National Anti-corruption Programme more effective in preventing corruption and applying dissuasive sanctions. Prosecution of high-level corruption cases remains exceptional.	
	4. Reorient the budget resources allocated to the public work scheme to **active labour market measures** to foster integration into the primary labour market; and improve the adequacy and coverage of social assistance and unemployment benefits.	**No progress:** **<u>No progress</u>** has been made to reorient the budget resources allocated to the public work scheme to active labour market measures to foster integration into the primary labour market. The PWS is the main Active Labour Market Policy (ALMP) measure in Hungary. Its budgetary cost quadrupled over the last four years, to 0.8 % of GDP, and is expected to double again by 2018. Few public workers manage to find a job on the open labour market and there is a significant risk of a "lock-in" effect. In spite of the 2015 CSR, in 2015 the Hungarian government announced a further expansion of the scheme. **<u>No progress</u>** has been made to improve the adequacy and coverage of social assistance and unemployment benefits. The duration of the unemployment benefit (UB) is 3 months, the shortest in the EU. In addition, the non-adjustment or freezing of amounts in the past years or new calculation rules have reduced the nominal value of many benefits. The recent reforms do not expand and could further restrict access conditions for a number of benefits and social services.	**3. Facilitate the transition from the public works scheme to the primary labour market and reinforce other active labour market policies**. Improve the adequacy and coverage of social assistance and unemployment benefits. Take measures to improve educational outcomes and to **increase the participation of disadvantaged groups**, in particular Roma, in inclusive mainstream education.
	5. Increase the participation of disadvantaged groups in particular Roma in inclusive mainstream education**,** and improve the support offered to these groups through targeted teacher training; **strengthen measures to facilitate the transition between different stages of education and to the labour**	**Limited progress:** **<u>Limited progress</u>** has been made in increasing the chances of disadvantaged pupils, in particular Roma in inclusive mainstream education and preparing teachers for this.	*See CSR 3 (participation of disadvantaged groups in mainstream education)*

	market, and improve the teaching of essential competences.	**<u>No progress</u>** has been made in facilitating transitions between different stages of education. **<u>Some progress</u>** has been made in facilitating the transition from education to the labour market. **<u>Some progress</u>** has also been made in improving the teaching of key competences.	

MT	[Country Specific Recommendations 2015](#) **SGP: CSR 1 and MIP: -**	[Assessment of implementation of CSR 2015](#) **(based on COM staff document)**	[Draft Country Specific Recommendations 2016](#) **SGP: CSR 1 and MIP: -**
	1. Following correction of the excessive deficit, achieve a fiscal adjustment of 0,6 % of GDP towards the medium-term budgetary objective in 2015 and 2016.	The Commission is to assess CSRs related to compliance with the Stability and Growth Pact in spring 2016 once the final data will become available.	**1. In view of the high risk of a significant deviation, achieve an annual fiscal adjustment of 0.6 % of GDP towards the medium-term budgetary objective in 2016 and in 2017**, by taking the necessary structural measures. Step up measures to **ensure the long-term sustainability of public finances.**
	2. Take measures to **improve basic skills and further reduce early school-leaving** by promoting the continuous professional development of teachers.	**Some progress:** Malta has made **some progress** in promoting the continuous professional development of teachers. An institute for continuous professional development of teachers was set up.	**2. Take measures to strengthen labour supply**, notably through increased participation of low-skilled persons in lifelong learning.
	3. 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.	**Limited progress:** Malta has made **limited progress** on the pensions system reform. Some new measures aiming to address both sustainability and adequacy concerns were proposed by the government in the 2016 Budget, following recommendations made by a Pension Strategy Group; however they haven't yet been reflected in the legislation.	*See CSR 1 (long-term sustainability of public finances)*
	4. Improve small and micro-enterprises' access to finance, in particular through non-bank instruments.	**Some progress:** Malta has made **some progress** to improve SMEs and micro-enterprises' access to finance. Measures to support SMEs access to non-bank financing should be further encouraged, including through more co-investment schemes with venture capital and business angels, by encouraging market uptake of crowdfunding and by taking advantage of the opportunities offered by EU funding programmes.	

NL	Country Specific Recommendations 2015 **SGP: - and MIP: CSR 1, 2, 3**	Assessment of implementation of CSR 2015 **(based on COM staff document)**	Draft Country Specific Recommendations 2016 **SGP: CSR 1 and MIP: CSR 3**
	1. Shift public expenditure towards supporting investment in R&D and work on framework conditions for improving private R&D expenditure in order to counter the declining trend in public R&D expenditure and increase the potential for economic growth.	**Limited progress:** **Limited progress** in shifting public expenditure towards supporting investment in R&D and improving framework conditions for private R&D. In 2016, the WBSO tax credit (for R&D wage costs) and the R&D allowance (RDA, for other R&D costs) will be merged and increased. The government has decided to drop a planned cut in the WBSO tax credit of EUR 110 million. However, despite these measures, total public support for R&D and innovation will continue its decline in the longer run.	**1. Limit the deviation from the medium-term budgetary objective in 2016 and achieve an annual fiscal adjustment of 0.6 % of GDP in 2017.** Prioritise public expenditure towards supporting more investment in research and development.
	2. With the strengthening of the recovery, accelerate the **decrease in mortgage interest tax deductibility** so that tax incentives to invest in unproductive assets are reduced. Provide for a more market-oriented pricing mechanism in the rental market and further relate rents to household income in the social housing sector.	**Some progress** **No progress** on mortgage interest deductibility, as its partial phasing out has not been stepped up despite a recovery of the housing market and the economic environment. **Some progress** on a more market-based pricing mechanism. The measure to support mobility in the housing market (the rental sum approach 'huursombenadering') will be implemented in 2017. **Substantial progress** on relating rents to household income, as the Housing Act (Woningwet) entered into force in July 2015 and the rental sum approach will be implemented in 2017. Nevertheless, progress on tackling the number of tenants above the income threshold for social housing is very small and waiting lists have not been reduced.	

	3. Reduce the level of contributions to the second pillar of the pension system for those in the early years of working life.	**Limited progress:** **Limited progress** has been made in reducing pension contributions for young workers. On 6 July 2015, the government announced its intention to substantially reform the second pension pillar in order to create a more transparent and actuarially fairer system. There is agreement in the country that reform is necessary, but the specifics need to be decided.	**3. Take measures to make the second pillar of the pension system more transparent, inter-generationally fairer and more resilient to shocks.** Take measures to reduce the remaining distortions in the housing market and the debt bias for households, in particular by decreasing mortgage interest tax deductibility.
			2. Tackle remaining barriers to hiring staff on permanent contracts and facilitate the transition from temporary to permanent contracts. Address the high increase in self-employed without employees, including by reducing tax distortions favouring self-employment, without compromising entrepreneurship, and by promoting access of the self-employed to affordable social protection.

AT	[Country Specific Recommendations 2015](#) **SGP: CSR 1 and MIP: -**	[Assessment of implementation of CSR 2015](#) **(based on COM staff document)**	[Draft Country Specific Recommendations 2016](#) **SGP: CSR 1 and MIP: -**
	1. Avoid deviating from the medium-term budgetary objective in 2015 and 2016. Ensure the budget neutrality of the tax reform aimed at reducing the tax burden on labour. Correct the misalignment between the financing and spending responsibilities of the different levels of government. **Take measures to ensure the long-term sustainability of the pension system**, including by earlier harmonisation of the statutory retirement age for men and women, and link the statutory retirement age to life expectancy.	**Limited progress** (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact): **Some progress** in ensuring the budget neutrality of the tax reform as several financing measures have been implemented. However, these consist to a large extent in measures against tax fraud, the yields of which are intrinsically uncertain. **Limited progress** in correcting the misalignment between the financing and spending responsibilities of the different levels of government as no concrete proposals have been put forward so far, although accounting rules for sub-national governments have been harmonised (effective as of 2019/2020). **Limited progress** in ensuring the long-term sustainability of the pension system. The effective retirement age has risen, but it still remains below the statutory retirement age. Furthermore, the positive budgetary effects of the measures taken to restrict access to early retirement still need to materialise. **No progress** in the earlier harmonisation of the statutory retirement age for men and women. **No progress** in linking the statutory retirement age to life expectancy.	**1. Ensure that the deviation from the medium-term budgetary objective in 2016 and in 2017 is limited to the allowance linked to the budgetary impact of the exceptional inflow of refugees in 2015, and to that effect achieve an annual fiscal adjustment of 0.3% of GDP in 2017** unless the medium-term budgetary objective is respected with a lower effort. **Ensure the sustainability of the healthcare system; and of the pension system** by linking the statutory pension age to life expectancy. Simplify, rationalise and streamline fiscal relations and responsibilities across the various layers of government.
	2. Strengthen measures to increase the labour market participation of older workers and women, including by improving the provision of childcare and long-term care services. Take steps to improve	**Limited progress:** **Some progress** in increasing the labour market participation of older workers as active labour market policy for this group has been intensified and	**2. Improve the labour market participation of women.** Take steps to improve the educational achievements of disadvantaged young people, in particular those from a migrant background.

	the educational achievement of disadvantaged young people.	employers have been incentivised to provide age-friendly working conditions and employ older workers, although the employment rate of older workers remains below the EU average. **Limited progress** in increasing the labour market participation of women as the provision and quality of childcare and all-day schools that are compatible with full-time employment remain inadequate. **Limited progress** in increasing the labour market participation of women by providing long-term care facilities that are compatible with full-time employment. **Limited progress** in improving the educational achievement of disadvantaged young people as socioeconomic background continues to have a negative impact on the educational outcomes of young people in Austria, in particular of those with a migrant background, although Austria increasingly acknowledges the importance of improving educational outcomes by proposing reforms aimed at boosting the quality of compulsory education and early childhood education. The recent reforms do not address early tracking (ability grouping) from the age of 10.	
	3. Remove disproportionate barriers for service providers and impediments to setting up interdisciplinary companies.	**Limited progress:** **Limited progress** in removing disproportionate barriers for service providers and impediments to setting up interdisciplinary companies. Austria has been assessing the proportionality of its regulated professions as part of the mutual evaluation of regulated professions. A new post-evaluation instrument for all legal acts has been introduced along with a new harmonised electronic registration system for trades. However, there will be no significant reforms of the existing regulated	**3. Reduce administrative and regulatory barriers for investments**, such as restrictive authorisation requirements and restrictions on legal form and shareholding, and impediments to setting up interdisciplinary companies, in particular in the area of services.

		professions. An inter-ministerial working group was set up in November 2015 to develop proposals to address multi-disciplinary restrictions, but it has not yet presented any findings. Austria also indicated that it planned to remove restrictive statutory seat (headquarters) requirements for companies of architects, engineers and patent attorneys.	
	4. Address the potential vulnerabilities of the financial sector in terms of foreign exposure and insufficient asset quality.	**Some progress:** **Some progress** in addressing the potential vulnerabilities in the financial sector as supervisory measures have helped to limit the impact of deteriorating asset quality in the CESEE and CIS region on the profitability and capitalisation of Austrian banks, including improving their funding structure and contributing to the expansion of local funding sources.	

PL	Country Specific Recommendations 2015 **SGP: CSR 1 and MIP: -**	Assessment of implementation of CSR 2015 **(based on COM staff document)**	Draft Country Specific Recommendations 2016 **SGP: CSR 1 and MIP: -**
	1. Following the correction of the excessive deficit, achieve a fiscal adjustment of 0,5 % of GDP towards the medium-term budgetary objective both in 2015 and 2016. Establish an independent fiscal council. **Broaden the tax base**, in particular by limiting the use of the extensive system of reduced VAT rates.	**No progress** (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact): -**No progress** has been made regarding the fiscal council. **No progress** has been made on VAT rates.	**1. Achieve an annual fiscal adjustment of 0.5% of GDP towards the medium-term budgetary objective in 2016 and in 2017.** Strengthen the fiscal framework, including by establishing an independent fiscal council. Improve tax collection by ensuring better VAT compliance, and limit the extensive use of reduced VAT rates.
	2. Start the process of aligning the pension arrangements for farmers and miners with those for other workers, and adopt a timetable for progressive full alignment; put in place a system for assessing and recording farmers' incomes**.**	**No progress:** **No progress** in aligning the pension arrangements for farmers and miners with those for other workers. **No progress** in putting in place a system for assessing and recording farmers' incomes.	**2. Ensure the sustainability and adequacy of the pension system and increase participation in the labour market,** by starting to reform the preferential pension arrangements, removing obstacles to more permanent types of employment and improving the labour market-relevance of education and training.
	3. Take measures to **reduce the excessive use of temporary and civil law contracts** in the labour market.	**Some progress:** An amendment to the Labour Code has been adopted and social security contributions connected with civil law contracts have been increased.	
	4. Remove obstacles to **investment in railway projects.**	**Limited progress:** In September 2015 the National Rail Programme 2023 was adopted. An amendment to the Railway Act of 15/01/2015 aims to facilitate procedures for investing in railway infrastructure. Regarding the period 2014-2020, accelerating the processes for project preparation has not yet resulted in investments getting off the ground;	**3. Take measures to remove obstacles to investment** in transport, construction and energy infrastructure, and increase the coverage of spatial planning at local level.

PT	Country Specific Recommendations 2015 **SGP: CSR 1 and MIP: CSR 1, 2, 3, 4**	Assessment of implementation of CSR 2015 **(based on COM staff document)**	Draft Country Specific Recommendations 2016 **SGP: CSR 1 and MIP: CSR 1, 2, 3, 4, 5**
	1. Ensure a durable correction of the excessive deficit in 2015 by taking measures as necessary. Achieve a fiscal adjustment of 0,6 % of GDP towards the medium-term budgetary objective in 2016. Use windfall gains to accelerate the deficit and debt reduction. Enforce the commitment control law to better control expenditure. **Improve the medium-term sustainability of the pension system**. Safeguard the financial sustainability of state-owned enterprises. Further **improve tax compliance and the efficiency of the tax administration**.	**Some progress** (this overall assessment of CSR 1 excludes an assessment of compliance with the Stability and Growth Pact): There has been **some progress** on enforcing the commitment control law as arrears have continued to fall. In the health sector, however, underbudgeting by hospitals continues to prevent arrears from falling faster. There has been **some progress** towards making the pension system more sustainable in the medium-term. In the short to medium term, public finances are under pressure as the current contributions to the public pension systems cover less than 75% of the pension-related expenditure. There has been limited progress in developing new comprehensive measures as part of the ongoing pension reform. However, some previously decided measures are starting to have positive effects on medium and long-term sustainability such as the movable old-age pension that depends on life expectancy at the age of 65. The statutory retirement age, set at 66 in 2015, will now rise each year by 2/3 of the increase in life expectancy measured two years previously. The sustainability factor introduced in the calculation mechanism that determines the amount of early retirement pension entitlements has also started to contribute to medium- and long-term sustainability. The S1 indicator of fiscal sustainability reveals that there is a high risk in the medium term (6.4) relating mainly to the debt requirement.	**1. Ensure a durable correction of the excessive deficit by 2016, reducing the general government deficit to 2.3% of GDP in 2016**, by taking the necessary structural measures and by using all windfall gains for deficit and debt reduction. This is consistent with an improvement in the structural balance of 0.25% of GDP in 2016. Thereafter, **achieve an annual fiscal adjustment of at least 0.6% of GDP in 2017. Conduct, by February 2017**, a comprehensive expenditure review at all levels of public administration and strengthen expenditure control, cost effectiveness and adequate budgeting. Ensure the long-term sustainability of the health sector, without compromising access to primary healthcare. Reduce the reliance of the pension system on budgetary transfers. By the end of 2016, refocus ongoing restructuring plans of state-owned enterprises.

		There has been **<u>some progress</u>** concerning the financial sustainability of state-owned enterprises (SOEs). As a result of rationalisation measures and mergers between companies, the operating performance of SOEs has been improving. Equity operations carried out by the state have also strengthened several companies' financial position. Partial reversal of the privatisation of the air carrier TAP may imply additional fiscal risks. Cancelling the award of urban transport concessions in Lisbon and Porto will have an immediate fiscal impact during 2016, as the savings these concessions were supposed to deliver will not materialise. Political choices in the transport sector will need to go hand-in-hand with measures to ensure that these SOEs are financial sustainable. There has been **<u>some progress</u>** on improving tax compliance and making the tax administration more efficient. The planned integration of local tax offices into the Aproximar programme is under way. Measures are being taken to combat tax fraud in the housing market, improve arrangements for sharing information with financial institutions, and strengthen Portugal's anti-money-laundering framework.	
	2. Promote the alignment of wages and productivity, in consultation with the social partners and in accordance with national practices, taking into account differences in skills and local labour market conditions as well as divergences in economic performance across regions, sectors and companies. Ensure that developments relating to the minimum wage are consistent with the objectives of promoting employment and competitiveness.	**Some progress:** **<u>Some progress</u>** on promoting the alignment of wages and productivity. The most recent data available show that wage developments have been moderate and in line with productivity over a medium-term horizon. Collective bargaining at sectoral level has been supportive of this process. However firm-level bargaining is not picking up, potentially limiting the scope for wage differentiation according to the dimensions mentioned in the CSR.	**2.** In consultation with social partners, **ensure that minimum wages are consistent with the objectives of promoting employment and competitiveness across industries.**

		No progress as regards the minimum wage. It was further increased in January 2016 from EUR 505 to EUR 530, in a context of low inflation and high unemployment, putting upward pressures on the overall wage structure with the risk of affecting employment and competitiveness perspectives.	
	3. Improve the efficiency of public employment services, in particular by increasing outreach to non-registered young people. **Ensure effective activation of benefit recipients and adequate coverage of social assistance**, in particular the minimum income scheme.	**Some progress:** **Some progress** has been made in increasing outreach to non-registered young people but challenges in its implementation still persist. A broad network of partners engaged in the implementation of the Young Guartantee has been set to reach out to young people aged under 30 and not in employment, education or training (NEET). Another positive step has been the creation of a Youth Guarantee online platform where NEETs can register. **Some progress** has been made in improving the efficiency of the public employment services through a reinforced performance management and an ongoing shift towards digital services. While partnerships with municipalities, training organisations and social economy actors are well developed, there has been limited progress in binding partnerships with private employment services. The two pilot projects of partnership with private employment services in Lisbon and Porto have been delayed and a tender procedure has yet to be launched. There has been **some progress** in ensuring adequate coverage of social assistance, in particular through the minimum income scheme. There have been changes to the eligibility criteria of the minimum income scheme which may extend its coverage. Further measures in this area include an increase in child benefits, including for single parents	**3. Ensure the effective activation of the long term unemployed and improve the coordination between employment and social services.** Strengthen incentives for firms to hire through permanent contracts.

		households. No new specific measures have been taken on activation for minimum income scheme recipients.	
	4. Take further measures to reduce the corporate debt overhang, to address the corporate non-performing loans ratio in banks and to reduce the debt bias for corporates under tax provisions. **Improve the efficiency of debt restructuring tools** for viable companies by introducing incentives for banks and debtors to engage in restructuring processes at an early stage.	**Some progress:** **Some progress** has been made on reducing the corporate debt overhang and allowing the private sector to deleverage This includes the well advanced implementation of the corporate deleveraging strategy, which includes the revamping of the PER and SIREVE insolvency tools and changes in the tax treatment of debt financing. However, at close to 190% of GDP Portugal's private sector is one of the most highly indebted in the EU. Moreover, access to credit remains costly and difficult for businesses, in particular SMEs. Therefore, there is still the need to continue to pay attention to the problem of high indebtedness and to encourage the banking sector to raise capital in order to be able to clean its balance sheet from the high burden of corporate non-performing credit.	**4. Take measures, by October 2016, to facilitate the cleaning up of the balance sheets of credit institutions and address the high level of non-performing loans.** Reduce the debt bias in corporate taxation and improve the access to finance for start-ups and small and medium-sized enterprises via the capital market.
	5. Accelerate measures and increase transparency as regards concessions, including in the transport sector, and private-public partnerships at local and regional level.	**Limited progress:** **Limited progress** has been made on transparency. A revised framework for public-private partnerships (PPPs) entered into force on 1 June 2012. The government has renegotiated several road PPPs. In most cases, the Court of Auditors has already expressed its view that no prior approval is required for the changes to be effective. As regards water concessions at local level and railway PPPs, the Court of Auditors expressed a negative opinion of the way the state had managed the contracts. Existing legislation does not empower UTAP, the Ministry of Finance's taskforce for PPPs, to cover concessions, regional and local PPPs or even central government PPPs/concessions in the	**5. Increase transparency and efficiency in public procurement** as regards public-private partnerships and concessions. **By the end of 2016, improve and accelerate administrative and licensing procedures, accelerate tax litigations and reduce regulatory barriers,** especially in business services. Incentivise cooperation between universities and the business sector.

		water/sewerage/waste businesses (or any concession given to SOEs by law in an in-house relationship). The authorities are aware of these loopholes and agree there is a need to find a solution. However, no concrete suggestions or timeline has yet been proposed.	

RO	Country Specific Recommendations 2015 **SGP: CSR 2 and MIP: CSR 1, 2, 3, 4**	Assessment of implementation of CSR 2015 **(based on COM staff document)**	Draft Country Specific Recommendations 2016 **SGP: CSR 1 and MIP: -**
	1. Take all the necessary measures to **complete the financial assistance programme.**	**No progress:** Romania made **no progress** as the third formal review mission (16-30 June 2015) to assess the programme's implementation status conditionality was not concluded. Consequently, the 2013-2015 programme ended without a formal review being completed. While some progress was achieved in several policy areas, current and former programme achievements were undermined in key policy areas.	
	2. Limit the deviation from the medium-term budgetary objective in 2015 to a maximum of 0.25% of GDP as specified under the 2013-15 balance-of-payments programme and return to the medium-term budgetary objective in 2016. **Implement the comprehensive tax compliance strategy**, strengthen verification control systems in order to tackle undeclared work, and push ahead with the equalisation of the pensionable age for men and women.	**Limited progress** (this overall assessment of CSR 2 does not include an assessment of compliance with the Stability and Growth Pact): Romania made **full progress** in remaining at the medium-term budgetary objective for its structural deficit in 2015. According to the European Commission winter 2016 forecast the structural deficit for 2015 is 0.7 % of GDP. This is below the medium-term budgetary objective of a structural deficit of 1 % of GDP. Romania made **no progress** in remaining at the medium-term budgetary objective in 2016. According to the 2016 budget and the Commission 2016 winter forecast, the budget deficit in 2016 will be close to 3 % of GDP in both nominal and structural terms. Romania made **limited progress** on implementing the comprehensive tax compliance strategy and strengthening verification control systems to tackle undeclared work. The comprehensive tax compliance strategy is still being developed. Efforts to improve tax collection started to yield some	**1. Limit the deviation from the medium-term budgetary objective in 2016 and achieve an annual fiscal adjustment of 0.5 % of GDP in 2017** unless the medium-term budgetary objective is respected with a lower effort. **Ensure the application of the fiscal framework and strengthen further tax compliance and collection.** Ensure that legislative initiatives do not undermine legal certainty and do not put at risk financial stability. If necessary, adopt measures that mitigate such risks.

		results, but VAT evasion remains high. A pilot project to strengthen checks for undeclared work is being rolled out throughout the whole country, but the activity of labour inspections has gone down and there was limited follow-up on those that did take place. Romania made **<u>no progress</u>** on the equalisation of the pensionable age for men and women. The draft law submitted to Parliament in 2013 has been adopted by the Senate, but not by the lower Chamber.	
	3. Strengthen the provision of labour market measures, in particular for unregistered young people and the long-term unemployed. Ensure that the national employment agency is adequately staffed. Establish, in consultation with the social partners and in accordance with national practices, clear guidelines for setting the minimum wage transparently. **Introduce the minimum insertion income.** Increase the provision and quality of early childhood education and care, in particular for Roma. **Adopt the national strategy to reduce early school leaving.** Pursue the national health strategy 2014-2020 to remedy issues of poor accessibility, low funding and inefficient resources.	**Limited progress.** Romania made **<u>limited progress</u>** on strengthening active labour market measures, in particular for unregistered young people and for the long-term unemployed. Initiatives such as the Youth Guarantee centres have had a limited effect on the registration of people not in employment, education or training. There is no evaluation of the 27 pilot Youth Guarantee centres. They, however, do not appear to have succeeded in supporting young people who were not previously registered with public employment services. The take-up of apprenticeship and measures such as support for traineeships, skills certification and the mobility package, was more limited than initially expected. The results of the database of young people not in employment, education or training and the professional card remain to be seen. However, a more integrated approach, offering integrated pathways to people not in employment, education or training and centred on the public employment service is being developed with the support of EU funds. There are few activation programmes or employer incentives targeted at the long-term unemployed, with the exception of an employer subsidy for workers older than 45, although that is	**2. Strengthen the National Employment Agency's services to employers and jobseekers,** in particular by tailoring services to jobseeker profiles, better linking them with social services and reaching out to unregistered young people. **Establish,** in consultation with social partners, **objective criteria for setting the minimum wage. Take action to prevent early school leaving and increase the provision of quality education**, in particular among Roma. Adopt the equalisation of the pension age for men and women.

		not specifically targeted at the long-term unemployed. Romania made **limited progress** on adequately staffing the National Employment Agency. There was only a marginal increase in the staff of employment services and no internal reallocation of resources. A large proportion of the staff works on back-office functions, including the administration of European Social Fund programmes. A strategy to modernise the National Employment Agency was adopted at the end of 2014, but its quality is uneven and the Commission has asked for the strategy to be revised. Despite the ex ante conditionality, measures funded through the European Social Fund interventions are not sufficiently coordinated with those financed through the national budget. The public employment service has started to develop a labour market intelligence capacity and to enter into partnerships with several stakeholders. In the context of ex ante conditionality for the European Social Fund, there are action plans to develop procedures for profiling and segmentation of the various categories of unemployed to offer tailor-made support but they are not yet implemented. Romania made **limited progress** in setting guidelines for transparent minimum-wage setting. A study on the impact of minimum wage increases was undertaken, but a transparent minimum wage setting mechanism, based on clear and objective criteria related to economic and labour market conditions, is not yet in place. The government has set up a tripartite working group with the aim to establish such mechanism. The group should present its proposal by April 2016. Romania made **limited progress** in introducing the minimum inclusion income scheme, as the draft law	

		has been put in public consultation, but not yet adopted. Its implementation has been further delayed to 2017 or 2018. Romania made **some progress** in increasing the provision and quality of early childhood education and care, in particular for Roma. A law was adopted with the aim to encourage the participation of disadvantaged children in kindergarten. Romania made **limited progress** on implementing the national strategy to reduce early school leaving. The strategy was adopted in June 2015 but there are significant delays in its implementation. The early school leaving rate increased in 2014 after a period of stagnation and remains around 7 pps. above the EU average. There are significant differences between regions and between urban and rural areas. Romania made **limited progress** on improving access to healthcare with the introduction of some innovative medicines for hepatitis C and cancer based on cost-effectiveness (health technology assessment) criteria. Some other measures have been adopted to ensure access to medicines for low-income pensioners and to make healthcare more accessible to people in remote and isolated communities. Nonetheless, improving access to primary healthcare and outpatient care, especially in rural areas, still remains a challenge. The availability of health professionals is below the EU average on account of their emigration. Widespread informal payments reduce access to healthcare for people with low incomes. Romania made **limited progress** on remedying low funding and **some progress** on addressing the inefficient use of resources. The use of ICT services in the healthcare sector has been stepped up through	

		the introduction of the national health card and electronic records. Centralised procurement procedures have been established through framework contracts for the supply of some medicines. Lack of administrative capacity is delaying projects to streamline the hospital sector and switch from inpatient care to outpatient care. The implementation of the 2014-2020 national health strategy, which addresses this problem, has stagnated. In addition, the construction of much needed community centres in rural areas could be delayed because of a lack of administrative capacity to develop a mapping of investment necessities.	
	4. Adopt the law on reforming corporate governance of state-owned enterprises.	**Some progress:** Romania made **some progress** on addressing CSR 4. On 6 January 2016 the government approved draft amendments to the draft law approving government emergency ordinance 109/2011 on corporate governance of state-owned enterprises and submitted the amendments to Parliament.	**3. Curb informal payments in the healthcare system and increase the availability of outpatient care.** Strengthen the independence and transparency of human resources management in the public administration. **Simplify administrative procedures for business and the public. Strengthen corporate governance of state-owned enterprises.**
			4. Improve access to integrated public services, extend basic infrastructure and foster economic diversification, in particular in rural areas. Adopt and implement **the transport master plan**. Strengthen public investment project prioritisation and preparation.

SI	[Country Specific Recommendations 2015](#) **SGP: - and MIP: CSR 1, 2, 3, 4**	[Assessment of implementation of CSR 2015](#) **(based on COM staff document)**	**Draft Country Specific Recommendations 2016** **SGP: CSR 1 and MIP: CSR 1, 3, 4**
	1. Ensure a durable correction of the excessive deficit in 2015, and achieve a fiscal adjustment of 0.6% of GDP towards the medium-term budgetary objective in 2016. Adopt the Fiscal Rule Act and revise the Public Finance Act. Advance long-term reform of the pension system. **By end of 2015, adopt a healthcare and long-term care reform**.	**Limited progress** (this overall evaluation excludes an assessment of compliance with the Stability and Growth Pact): **Some progress** was made in reforming the fiscal and budgetary framework. The Fiscal Rules Act was passed by the Parliament in July 2015 but the establishment of the Fiscal Council has been delayed. It is expected that its members will only be appointed in mid-March 2016, which puts at risk the Fiscal Council's ability to assess and provide an opinion on the 2016 Stability Programme. Amendments to the Public Finance Act have been prepared and were published for public consultation at end January 2016. **Limited progress** was made in advancing the pension reform. A White Paper on pensions is expected in early-2016. It will open a wide public consultation, which will serve as the basis for a new pension reform. **Limited progress** was made in advancing the healthcare reform. A comprehensive review of the health care system was completed. Based on this analysis, The National Healthcare Resolution Plan 2016 – 2025 was adopted by the government end 2015 and is expected to be adopted by the Parliament in March 2016. In addition, the Health Care and Health Insurance Act is envisaged to be adopted by the Government in October and by Parliament end of 2016 or beginning of 2017. **Limited progress** was made in advancing the long-term care reform. A draft law was due to enter public consultation in October 2015 but has been	**1.** Following the correction of the excessive deficit, **achieve an annual fiscal adjustment of 0.6% of GDP towards the medium-term budgetary objective in 2016 and in 2017.** Set a medium-term budgetary objective that respects the requirements of the Stability and Growth Pact. Strengthen the fiscal framework by appointing an independent fiscal council and amending the Public Finance Act. **Complete and implement the reform of the long-term care and healthcare systems**, making them more cost-efficient to ensure long-term sustainability of accessible and quality care. By the end of 2017, adopt the reform of the pension system.

		postponed. Its final adoption will await the reform of healthcare as the latter needs to clarify the issue of financing.	
	2. Review, in consultation with the social partners and in accordance with national practices, **the mechanism for setting the minimum wage**, and in particular the role of allowances, in light of the impact on in-work poverty, job creation and competitiveness. Increase the employability of low skilled and older workers. **Take measures to address long-term unemployment and provide adequate incentives to extend working lives.**	**Some progress:** **Some progress** was made on reviewing the mechanism for setting the minimum wage. In November 2015, the Parliament adopted a proposal for excluding the existing bonuses from the minimum wage, which was put forward by the trade unions. As a result, employer organizations withdrew from the Social Agreement weakening the social dialogue considerably. **Some progress** was made regarding increasing the employability of long-term unemployed, low skilled and older workers. The government adopted the active labour market policies (ALMP) guidelines 2016-2020, which have been discussed with the social partners. The ALMP implementation plan, which represents the continuation of the approach implemented so far, was adopted in January 2016. Temporary exemptions from employers' social contributions for newly employed workers older than 55 were adopted in November 2015.	**2.** In consultation with social partners, **increase the employability of low-skilled and older workers**, including through targeted lifelong learning and activation measures.
	3. Bring down the level of non-performing loans in banks by introducing specific targets. Improve credit risk monitoring capacity in banks. Continue corporate restructuring and maintain strong corporate governance in the Bank Asset Management Company. **Take measures to improve access to finance for SMEs** and micro companies. Adopt a strategy for the Slovenian Sovereign **Holding with a clear classification of assets**, implement an annual asset management plan and apply performance criteria.	**Substantial progress:** **Substantial progress** has been made in reduction of the level of non-performing loans (NPLs). NPLs continued to decrease in absolute and relative terms; a further decrease is projected for 2016. However NPLs are still at high levels compared to pre-crisis period. Substantial progress has been made in improving the credit risk monitoring in banks. Action plans including specific targets have been prepared by individual banks and are continuously monitored. Banks introduced a regular data collection	**3. Improve the financing conditions for creditworthy business,** including by facilitating durable resolution of non-performing loans and access to alternative financing sources. **Ensure the proper implementation of the bank asset management company strategy.**

		necessary for the adoption of the internal rating based model for credit risk reporting. Yet, it will still take several years before the model is in place for supervisory purposes (indicative objective is 2018-19). **Substantial progress** has been made in corporate and banking sector restructuring. Operational and financial restructuring of major corporates is completed and master restructuring agreements are continuously monitored. The restructuring of several SMEs has started. Guidelines for the restructuring of SMEs are currently implemented by the banks. The new insolvency framework supports corporate restructuring and offers a number of different tools for the reorganisation of enterprises. The Bank Asset Management Company (BAMC) is fully operational and independent. The strategy 2017-22 has been set out and the life span of the BAMC has been extended by five years. Additional restructuring tools are available. **Some progress** has been made regarding access to finance for SMEs and micro companies. More funding has been made available for SMEs. Gap analysis has been completed and required future financing needs of the SMEs has been estimated. Solutions to address these gaps are under preparations. Bank of Slovenia is introducing an interactive central credit register for fiscal and legal entities that should reduce the risk of over-indebtedness of the SME sector. **Full implementation** regarding the strategy for the Slovenian Sovereign Holding (SSH).In July 2015 the parliament adopted a strategy for the management of state assets held by the SSH. In December 2015, the Government approved an annual asset management plan for 2016 as well as a	

		set of asset performance criteria. A new supervisory and management board in the SSH were appointed in July and October 2015, respectively.	
	4. Ensure that the reforms adopted to improve the efficiency of civil justice help **reduce the length of proceedings.**	**Some progress:** Falling workload of courts helped to maintain positive trends regarding the decrease of backlog and length of proceedings, and increase of clearance rates, particularly since courts resolve fewer cases every year. Further enhancement of case management and business processes is underway. Digitalisation projects and ICT platforms (e-filings, e-service, postal highway etc.) help to free up and reallocate the Court system's resources. Most notably, time frames for each proceeding are being developed. The authorities are planning a number of additional measures to strengthen the quality and the efficiency of the court system. These include amendments to the civil procedure act, e-auction system in enforcement and a major reorganisation of the first instance courts.	**4. Take measures to modernise public administration** and reduce the administrative burden on business. **Improve the governance and the performance of state-owned enterprises.**

SK	Country Specific Recommendations 2015 **SGP: - and MIP: -**	Assessment of implementation of CSR 2015 **(based on COM staff document)**	Draft Country Specific Recommendations 2016 **SGP: CSR 1 and MIP: -**
	1. Improve the cost-effectiveness of the healthcare sector, including by improving the management of hospital care and strengthening primary healthcare. **Take measures to increase tax collection.**	**Some progress:** **Some progress** has been made on increasing the cost-effectiveness of the healthcare sector. Several measures are at various stages of implementation, such as the ongoing work on the reimbursement system for hospital care and on the integrated model of healthcare. **Some progress** has been made to increase tax collection. The action plan to fight tax evasion was updated in 2015 and new measures announced.	**1. Achieve an annual fiscal adjustment of 0.25 % of GDP towards the medium-term budgetary objective in 2016 and of 0.5% of GDP in 2017.** Improve the cost-effectiveness of the healthcare system. **Take measures to increase tax compliance.**
	2. Take additional measures to address long term unemployment by improving activation measures, second chance education and introducing high-quality training tailored to individuals' needs. Improve the incentives for women to remain in or return to employment by improving the provision of childcare facilities.	**Limited progress:** **Limited progress** has been achieved in improving the activation measures for long-term unemployed. The reform of the public employment services is ongoing but the potential for individualised support to the long-term unemployed still needs to be realised. **Some progress** has been achieved towards increasing the provision of training tailored to individual needs of jobseekers (e.g. through the RE-PAS project). **No progress** has been made towards improving access to second-chance education. **Some progress** has been evidenced towards increasing the capacity of and access to early childhood education and care, particularly for the over threes. For children below three the childcare allowance was increased, but there was no progress in setting up a legislative framework on childcare services.	**2. Improve activation measures for the long-term unemployed and other disadvantaged groups**, including individualised services and targeted training. **Facilitate the employment of women**, in particular by extending the provision of affordable, quality childcare. **Improve educational outcomes** by making the teaching profession more attractive and by **increasing the participation of Roma children** from early childhood in mainstream education.

	3. Improve teacher training and the attractiveness of teaching as a profession to stem the decline in educational outcomes. **Increase the participation of Roma children** in mainstream education and in high-quality early childhood education.	**Limited progress:** **No progress** was made in improving training of teachers. **Limited progress** has been seen on improving the attractiveness of the teaching profession by increasing teachers' salary further by 4 % in 2016.along the increase for other public employees. **Limited progress** has been made towards increasing the participation of Roma children in mainstream education and in high-quality early childhood education. The Desegregation legislation was adopted in 2015, but it still needs to be implemented.	*See CSR 2 (attractiveness of teaching profession, Roma children participation in mainstream education)*
	4. To boost investment in infrastructure, **improve and streamline the administrative procedures** for obtaining land-use and construction permits. **Increase competition in public tenders and improve supervisory mechanisms in public procurement.**	**Limited progress:** **Some progress** has been achieved towards improving and streamlining the administrative procedures for obtaining land-use and construction permits. A project (e-STAK) was launched in 2015 and an amendment to the Construction Act was adopted in September 2015. **Limited progress** was made to increase competition in public tenders and improve supervisory mechanisms in public procurement. The amendment to the Act on Public Procurement excludes companies which do not disclose their ownership structure from participating in public tenders. The electronic contracting system for tenders above the EU thresholds is being prepared.	**3. Consolidate governance**, reinforce the shift from price only to quality-based competition and improve the prosecution of illicit practices in public procurement. **Improve the transparency, quality and effectiveness of human resources management in public administration**, in particular by adopting a new civil service act, and the effectiveness of the justice system. **Adopt a comprehensive plan to address administrative and regulatory barriers for businesses.**

FI	[Country Specific Recommendations 2015](#) **SGP: CSR 1 and MIP: CSR 2, 3**	[Assessment of implementation of CSR 2015](#) **(based on COM staff document)**	[Draft Country Specific Recommendations 2016](#) **SGP: CSR 1 and MIP: CSR 2, 3**
	1. Achieve a fiscal adjustment of at least 0,1 % of GDP towards the medium-term budgetary objective in 2015 and of 0,5 % of GDP in 2016. **Continue efforts to reduce the fiscal sustainability gap and strengthen conditions for growth**.	The Commission is to assess CSRs related to compliance with the Stability and Growth Pact in spring 2016 once the final data will become available.	**1. Achieve an annual fiscal adjustment of at least 0.5 % of GDP towards the medium-term budgetary objective in 2016 and 0.6 % in 2017.** Use windfall gains to accelerate the reduction of the general government debt ratio. **Ensure timely adoption and implementation of the administrative reform with a view to better cost-effectiveness of social and healthcare services.**
	2. Adopt the agreed pension reform and gradually eliminate early exit pathways. Ensure effective design and implementation of the **administrative reforms** concerning municipal structure and social and healthcare services, with a view to increasing productivity and cost-effectiveness in the provision of public services, while ensuring their quality.	**Some progress:** **Substantial progress** in adopting the agreed pension reform and gradually eliminating early exit pathways. The parliament has legislated the pension reform on 20 November 2015. As of 2027, the earliest eligibility for old-age pension will be linked to life expectancy. However, the extended unemployment benefits for the elderly unemployed have not been linked with the pension age. **Limited progress** in ensuring effective design and implementation of the administrative reforms concerning municipal structure and social and healthcare services, with a view to increasing productivity and cost-effectiveness in the provision of public services, while ensuring their quality. The government has announced its intentions regarding the health care and social services reform. Outline of the social and health care reform has been agreed, a legislative proposal may be available later in 2016. Until the details are agreed, the implementation is considered to be at risk.	*See CSR 1 (implementation of administrative reforms)*
	3. Pursue efforts to **improve the employability of young people, older workers and the long-term unemployed**, focusing particularly on developing	**Some progress:**	2. While respecting the role of social partners, **ensure that the wage setting system enhances local wage bargaining and removes rigidities,**

	job-relevant skills. **Promote wage developments in line with productivity** fully respecting the role of the social partners and in accordance with national practices.	<u>**Some progress**</u> in pursuing efforts to improve the employability of young people, older workers and the long-term unemployed, focusing particularly on developing job-relevant skills. The young, the elderly and the long-term unemployed are the focus of public employment services; wage subsidies were introduced recently for elderly workers. <u>**Some progress**</u> in promoting wage developments in line with productivity fully respecting the role of the social partners and in accordance with national practices. The collective bargaining agreement concluded in 2015 will raise salaries with a modest 0.5% in 2016.	contributing to competitiveness and a more export industry-led approach. Increase incentives to accept work and ensure targeted and sufficient active labour market measures, including for people with a migrant background. **Take measures to reduce regional and skills mismatches.**
	4. Take measures to **open the retail sector to effective competition.**	**Some progress:** The competitive landscape has improved. The law restricting opening hours has been abolished. The Land Use and Building Act has been amended to improve the conditions for retail establishments. Establishment of Alko alcohol monopoly stores is no longer confined to the vicinity of Kesko and S Group stores.	**3. Continue pursuing efforts to increase competition in services,** including in retail. Promote entrepreneurship and investment, including by reducing administrative and regulatory burden, to foster growth of high value added production.

SE	Country Specific Recommendations 2015 **SGP: - and MIP: CSR 1**	Assessment of implementation of CSR 2015 **(based on COM staff document)**	Draft Country Specific Recommendations 2016 **SGP: - and MIP: CSR 1**
	1. Address the rise in household debt by adjusting fiscal incentives, in particular by gradually limiting the tax deductibility of **mortgage** interest payments or by increasing recurrent **property taxes**, and by increasing the pace of mortgage amortisation. **To alleviate the structural under-supply of housing, foster competition in the construction sector**, streamline the planning and appeals procedures for construction and revise the rent-setting system to allow more market-oriented rent levels.	**Limited progress** (this overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact): **No progress** in adjusting fiscal incentives, i.e. changing the mortgage interest deductibility rules or property taxation. **Some progress** in increasing the pace of mortgage amortisation: the Government prepared a proposal on compulsory amortisation requirement on mortgage loans and it was submitted to the Parliament. Limited progress in alleviating the structural undersupply of housing: the Government proposed in the Budget Bill for 2016 public funding to increase investments in the housing sector. **Limited progress** in fostering competition in the construction sector: the results of an inquiry have been published end 2015 recommending a set of measures. **Some progress** in rendering the zoning and planning processes more efficient by achieving further simplifications in this area (such as revision of noise regulation and shortening the appeal procedures). In addition, the results of an inquiry have been published end 2015 recommending additional set of measures. **No progress** in reviewing the rent-setting system to allow more market-oriented rent levels.	**1. Address the rise in household debt** by adjusting fiscal incentives, in particular **by gradually limiting the tax deductibility of mortgage interest payments or by increasing recurrent property taxes**. Ensure that the macro-prudential authority has the legal mandate to implement measures to safeguard financial stability in a timely manner. **Foster investment in housing and improve the efficiency of the housing market,** including by introducing more flexibility in setting rental prices and by revising the design of the capital gains tax to facilitate more housing transactions.

UK	Country Specific Recommendations 2015 **SGP: CSR 1 and MIP: CSR 2, 3**	Assessment of implementation of CSR 2015 **(based on COM staff document)**	Draft Country Specific Recommendations 2016 **SGP: CSR 1 and MIP: -**
	1. Ensure effective action under the excessive deficit procedure and endeavour to correct the excessive deficit in a durable manner by 2016-17, in particular by prioritising capital expenditure.	The Commission is to assess CSRs related to compliance with the Stability and Growth Pact in spring 2016 once the final data will become available.	**1. Endeavour to correct the excessive deficit in a durable manner by 2016-17.** Following the correction of the excessive deficit, achieve a fiscal adjustment of 0.6% of GDP in 2017-18 towards the minimum medium-term budgetary objective.
	2. Take further steps to **boost supply in the housing sector,** including by implementing the reforms of **the national planning policy framework**.	**Some progress:** **Some progress** in boosting supply in the housing sector as throughout year the UK has announced various policies to raise housing supply relative to demand. These policies will make a difference but it will take some time to implement them, and the challenge is of a large scale.	**2. Address shortfalls in network infrastructure investment,** including by delivering the priorities of the National Infrastructure Plan. Take further steps to boost housing supply, including by implementing the reforms of **the national planning policy framework**.
	3. Address skills mismatches by increasing employers' engagement in the delivery of apprenticeships. Take action to further reduce the number of young people with low basic skills. Further **improve the availability of affordable, high-quality, full-time childcare.**	**Some progress:** **Some progress** in the delivery of apprenticeships as several developments have occurred in the past year, including policy announcements affecting the quantity and quality of apprenticeships up to 2020. Legislation obliges the Government to report on progress towards targets (in England). Employer engagement is obliged via an Apprenticeship levy affecting Employers with payrolls greater than GBP 3m per annum. A new funding pilot is being trialled giving employers greater control over spending on training delivery. **Some progress** in basic skills as several initiatives to improve basic skills are being implemented across each of the UK countries. In England, '16 to 19 Study Programmes' require students who have not achieved the required standard in English and/or mathematics to continue to study these subjects.	**3. Address skills mismatches and provide for skills progression**, including by strengthening the quality of apprenticeships. Further **improve the availability of affordable, high-quality, full-time childcare.**

		The introduction of the new slimmed-down national curriculum in September 2014 is expected to improve children's numeracy, language and literacy skills and knowledge. By 2016 primary schools will be judged against a new floor standard of 65% of students achieving the required standard in English and maths. A major transformation of the governance status of schools in England is underway. In general, the effect of these reforms has yet to be determined in terms of impact on student' achievement. **<u>Some progress</u>** in childcare as the initiative 'Tax-free childcare' was due to be introduced in autumn 2015 but is now scheduled for roll-out in 2017. Currently, childcare tax credits are available for low-income employed families with analogous, and in some cases more generous, support available under Universal Credit. Significant expansion in provision for free childcare has been announced which will commence in pilot areas in September 2016 with intended nationwide rollout in September 2017. This envisages proposals to double the free childcare available to working parents of three and four year olds from 15 to 30 hours per week over 38 weeks of the year from 2017 in England. Challenges on the supply side in childcare provision remain, with the majority of councils in Scotland, Wales and England not having sufficient childcare provision for parents who work full time.	

Euro Area	Country Specific Recommendations 2015	Assessment of implementation of CSR 2015 (based on COM staff document)	Country Specific Recommendations 2016
	1. Use peer pressure to promote structural reforms that facilitate the correction of large internal and external debts and support investment. Regularly assess the delivery of reforms in those Member States which require specific monitoring within the framework of the Macroeconomic Imbalances Procedure. Continue the regular thematic assessment of structural reforms. By spring 2016, take decisions on the follow-up to the coordination exercise on reducing the high tax wedge on labour and on reforming services markets.	**Limited progress:** **Progress** in delivering reform commitments **has 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 countries' 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 Eurogroup has held thematic discussions on reducing the high tax wedge on labour, inter alia agreeing on a benchmarking exercise, as well as on reforming services markets.	**1. Pursue policies that support the recovery, foster convergence, facilitate the correction of macroeconomic imbalances and improve adjustment capacity.** To this end, Member States, particularly those with large stocks of private and foreign debt, are to implement reforms that enhance productivity, foster job creation, raise competitiveness and improve the business environment. Member States with large current account surpluses are to implement as a priority measures, including structural reforms, that help strengthen their domestic demand and growth potential.
	2. Coordinate fiscal policies to ensure that the aggregate euro area fiscal stance is in line with sustainability risks and cyclical conditions. This is without prejudice to the fulfilment of the requirements of the Stability and Growth Pact. By spring 2016, hold thematic discussions on improvements in the quality and sustainability of public finances, focussing in particular on the prioritisation of tangible and intangible investment at national and EU levels, and on making tax systems more growth friendly. Monitor the effective functioning of the recently strengthened national fiscal frameworks.	**Some progress:** **Assessments of the euro area fiscal stance have been carried by the Eurogroup**, notably by reviewing the implementation of the Two-pack and discussing the implications of the Commission services' autumn 2013 and 2015 forecast for fiscal surveillance. The Eurogroup has held thematic discussions on fiscal frameworks. In the EMU Package on 21 October 2015, **the Commission published its decision to set up an European Fiscal Board** to act as an independent advisory body. Its mandate will include to evaluate how fiscal governance framework was implemented, to advise on the euro area fiscal	**3. Pursue fiscal policies in full respect of the SGP.** For 2016, the objective of a broadly neutral aggregate fiscal stance in the euro area appears appropriate in order to reflect a balance between long-term fiscal sustainability and short-term macroeconomic stabilisation. Looking towards 2017, reduce public debt to restore fiscal buffers and avoid pro-cyclicality. Differentiate the fiscal effort by individual Member States in line with their respective positions with regard to the requirements under the SGP while considering stabilisation needs, as well as taking into account possible spillovers across euro area Member States. To this end, review the euro area fiscal stance in the context of the stability programmes and the draft budgetary plans.

		stance and to cooperate with the national fiscal councils. **<u>Some progress</u>** has been made on the coordination of fiscal policies, in particular in the context of the assessment of the draft budgetary plans, to the extent that fiscal outlook for the euro area as a whole has improved and the aggregate fiscal stance seems appropriate. However, the distribution of the fiscal stance remains sub-optimal.	
	3. Ensure the timely finalisation of the follow up of the Comprehensive Assessment carried out by the European Central Bank, implementation of Directive 2014/59/EU of the European Parliament and of the Council3 (Bank Recovery and Resolution Directive), completion of the ratification of the Intergovernmental Agreement on the Single Resolution Fund and make the Fund fully operational as from January 2016. **Promote measures to deepen market-based finance**, to improve access to finance for SMEs and to develop alternative sources of finance. **Encourage further reforms of national insolvency frameworks**.	**Substantial progress:** The ECB **<u>Single Supervisory Mechanism (SSM) became fully operational</u>** and responsible for direct supervision of the most significant euroarea banks. The asset quality review (the comprehensive assessment) of 130 banks was completed and the SSM started work towards further harmonisation of bank supervisory and regulatory treatment across the euro area. **<u>The establishment of the Single Resolution Board (SRB) and of the Single Resolution Fund (SRF) advanced according to plans</u>** in 2015.Work also progressed towards agreeing bridge financing arrangements for the SRF and towards the establishment of a common backstop for the SRF during the transition period. On 30 September 2015 **<u>the Commission launched the Capital Markets Union (CMU) Action Plan</u>**, aiming at boosting business funding and investment financing by building a single market for capital across the EU. This initiative will enable the development of alternative sources of finance complementary to bankfinancing and to break down barriers blocking cross-border investments in the EU. CMU should be particularly beneficial to SMEs and start-ups. Preparatory work has started and	**4. Facilitate the gradual reduction of banks' non-performing loans and improve insolvency proceedings for businesses and households.** In Member States with large stocks of private debt, promote an orderly deleveraging, including by facilitating the resolution of unviable private debt.

		consultations are gearing up towards a legislative proposal for principles-based minimum harmonisation of business insolvency.	
	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 report on the next steps on better economic governance in the euro area, prepared by the President of the European Commission, Jean-Claude Juncker, in close cooperation with the President of the European Council, Donald Tusk, the President of the European Parliament, Martin Schulz, the President of the European Central Bank, Mario Draghi, and the President of the Eurogroup, Jeroen Dijsselbloem, and its follow-up.	**Some progress:** On 21 October 2015 **the Commission adopted a package of measures to further strengthen and deepen the Economic and Monetary Union**. It followed up on the Five Presidents' Report published in June, which was based on a wide consultation with the Member States. The package proposals included measures to revamp the EU Semester, in particular by strengthening its euro area dimension, it presented proposals for an improved toolbox of economic governance, including a recommendations to establish national Competitiveness Boards and a proposal for a more consistent external representation of the euro area.	**5. Work towards completing EMU in an open and transparent manner, while fully supporting the internal market**, and further exploring the legal, economic and political aspects of the more long-term measures contained in the Five Presidents' Report.
			2. Implement reforms that combine: (i) flexible and reliable labour contracts that promote smooth labour market transitions and avoid a two-tier labour market; **(ii) comprehensive lifelong learning strategies; (iii) effective policies to help the unemployed re-enter the labour market; (iv) adequate and sustainable social protection systems** that contribute effectively and efficiently throughout the life cycle both to social inclusion and labour market integration; and **(v) open and competitive product and services markets. Reduce the tax wedge on labour**, particularly on low-earners, in a budgetary-neutral way to foster job creation.