EUROPEAN PARLIAMENT

DG INTERNAL POLICIES
DIRECTORATE FOR ECONOMIC & SCIENTIFIC POLICIES
Economic Governance Support Unit

5 September 2012

Country Specific Recommendations as adopted under the European Semester Cycle in 2011 and 2012

This table presents, for each Member State:

- The Country Specific Recommendations (CSR) for 2011/2012 as adopted by the Council in July 2011,
- The assessment of the implementation of CSRs, based mainly on the Commission Staff Working Papers published in May 2012 and
- Country Specific Recommendations for 2012/2013 as adopted by the Council in July 2012.
- Specific recommendations for 2011/2012 and for 2012/2013 as adopted by the Council for the economic policies of the Member States whose currency is the euro.

The Country Specific Recommendations for 2012/2013 are based on the Commission's assessment of the implementations of CSR 2011, the national stability or convergence programme for 2012, the national reform programmes for 2012 as well as on an in-depth review of macro-economic aspects.

In many cases it is specified in the recital of CSR, if a specific recommendation is linked to a specific EU policy instrument. For instance, recommendation 1 generally refers to fiscal policies, as presented by MSs in their stability or convergence programmes, and it could therefore trigger further procedural steps either under the preventive arm or the corrective arm of the Stability and Growth Pact (in accordance with Regulations 1466/97 as amended, Regulation 1467/97 as amended, and Regulation 1173/2011). In other cases a recommendation may refer to the assessment under the macro-economic imbalances procedure (in accordance with Regulations 1176/2011 and 1174/2011).

CSR 2012 have been re-arranged in the presentation, when relevant, to allow an easier comparison of the topics dealt with. CSR and assessments for Member States under financial assistance programmes are highlight in grey.

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BE	[Country Specific Recommendations 2011]	Assessment of implementation of CSR 2011	[Country Specific Recommendations 2012]
	1. Take advantage of the ongoing economic recovery to accelerate the correction of the **excessive deficit.** To this end, take the necessary specified measures — mainly on the expenditure side — by the time of the 2012 budget to achieve an average annual fiscal effort in line with the recommendations under the EDP, thus bringing the high public debt ratio on a declining path. This should bring the government deficit well below the 3 % of the GDP reference value by 2012 at the latest. Ensure progress towards the medium-term objective by at least 0.5 % of GDP annually.	**1. At the moment Belgium has only partially implemented the recommendation.** In December 2009, the Council recommended that Belgium should bring the deficit down below 3 % of GDP. According to the Commission services' 2012 spring forecast, the general government deficit is expected to come out at about 3 % of GDP in 2012, the official objective being 2.8 %. However, the current estimate of the 2012 deficit is practically at the 3 % threshold, and this only thanks to sizeable one-off measures. Moreover, under an "unchanged policy" assumption the deficit is expected to rise again to 3.3 % of GDP in 2013. Government debt is still very high, at 98% of GDP in 2011.	**1.** Implement the budget for the year 2012 to make sure that the **excessive deficit** is corrected by 2012. Additionally, specify the measures necessary to ensure implementation of the budgetary strategy for the year 2013 and beyond, thereby ensuring that the excessive deficit is corrected in a durable manner and that sufficient progress is made towards the MTO, including meeting the expenditure benchmark, and ensure progress towards compliance with the debt reduction benchmark. Adjust the fiscal framework to ensure that the budgetary targets are binding at federal and sub-federal levels, and increase transparency of burden-sharing and accountability across government layers.
	2. Take steps to improve the **long-term sustainability of public finances**. In line with the framework of the three-pronged EU strategy, the focus should be put on curbing age-related expenditure, notably by preventing early exit from the labour market in order to markedly increase the effective retirement age. Measures such as linking the statutory retirement age to life expectancy could be considered.	**2. Belgium has partially implemented the 2011 recommendation.** The recent reform of Belgian old-age social security is expected to contribute to the long-term sustainability of public finances. Nevertheless, its impact will depend crucially on the way of implementation, the monitoring arrangements that are put in place and the extent to which potential abuse of possible is tackled. Also, in order to encourage active ageing and longer working lives, the measures in the area of pension reform would	**2.** Continue to improve **the long-term sustainability of public finances** by curbing age-related expenditure, including health expenditure. In particular, implement the reform of pre- retirement and pension schemes and take further steps to ensure an increase in the effective retirement age, including through linking the statutory retirement age to life expectancy.

		have to be accompanied by labour market reforms that stimulate higher employment rates among older workers. Although the federal government has already tabled several initiatives in this regard, not all have been implemented and the magnitude of the challenge requires sustained efforts in coming years.	
	3. Address the structural weaknesses in the **financial sector**, in particular by finalising restructuring of the banks in need of an adequately funded and viable business model.	**3. Belgium has partially implemented the recommendation.** Despite the initiatives taken by the government for enhanced supervision of the banking sector, Belgium needs to continue to make efforts to further restore confidence in the banking sector. Nationalisation of Dexia Belgium and the guarantees provided by the government should ensure that the collapse of Dexia does not have an impact on the real economy, while avoiding distortion of competition.	**3**. Stimulate capital increase of the weakest banks to underpin the strength of the **banking sector** so that it can play its normal role in lending to the economy.
	4. Take steps to reform, in consultation with the social partners and in accordance with national practice, **the system of wage bargaining and wage indexation**, to ensure that wage growth better reflects developments in labour productivity and competitiveness.	**4. Belgium has not implemented the recommendation.** The federal government has no plans to reform the mechanism of wage bargaining or automatic wage indexation. A strategy to boost the Belgian economy and to improve competitiveness has been announced.	**4.** To boost job creation and competitiveness, take steps to reform, in consultation with the social partners and in accordance with national practice, the **system of wage bargaining and wage indexation**. As a first step, ensure that wage growth better reflects developments in labour productivity and competitiveness, by (i) ensuring the implementation of *ex post* correction mechanisms foreseen in the 'wage norm' and promoting all-in agreements to improve cost-competitiveness and (ii)

			facilitating the use of opt-out clauses from sectoral collective agreements to better align wage growth and labour productivity developments at local level.
	5. Improve **participation in the labour market** by reducing the high tax and social security burden for the low-paid in a budgetary neutral way and by introducing a system in which the level of unemployment benefits decreases gradually with the duration of unemployment. Take steps to shift the tax burden from labour to consumption and to make the tax system more environmentally friendly. Improve the effectiveness of active labour policies by targeting measures at older workers and vulnerable groups.	**5. Belgium has partially implemented the recommendation.** The coalition agreement of the federal government contains a number of measures in the various fields concerned, including reform of the unemployment system, improved activation policies for older workers and regionalisation of the social security reductions to target the less favoured groups in the various regional labour markets. Implementation is either already under way (as in the case of unemployment reform) or due to take place in the near future (as in the case of the extension of job search requirements to elderly workers). No real progress has been made as far as rebalancing of the tax burden away from labour to consumption or to environmental taxes is concerned, but fiscal consolidation measures spared labour income.	**5**. Significantly shift taxes from labour to less growth-distortive taxes including for example environmental taxes. Pursue the initiated reform of the unemployment benefit system to reduce disincentives to work and strengthen the focus of employment support and activation policies on older workers and vulnerable groups, in particular people with a migrant background. Take advantage of the planned further regionalisation of **labour market** competencies to boost interregional labour mobility and to strengthen the coherence between education, lifelong learning, vocational training and employment policies. Extend existing activation efforts to all age groups.
	6. Introduce measures to **boost competition** in the retail sector, by lowering barriers to entry and reducing operational restrictions; and introduce measures to strengthen competition in the electricity and gas markets by further improving the effectiveness of the sectoral regulatory and competition authorities.	**6. Belgium has partially implemented the recommendation.** The new government announced extra measures in December 2011, designed especially to enhance surveillance of the energy sector with the minimum objective of keeping inflation under control. Instead of taking steps to control inflationary pressures by keeping energy prices in check, it would be	**6.** Continue to **strengthen competition** in the retail sector by lowering barriers and reducing operational restrictions. Introduce measures to strengthen competition in the network industries by revising regulatory barriers and reinforcing the institutional arrangements for effective enforcement of state aid rules.

		more effective to implement structural remedies so as to create a competitive market in the energy sector. No substantive measures are being taken to improve competition in the retail sector.	
			7. Take further measures to enhance the progress towards reaching the targets for **reducing greenhouse gas emissions** from non-ETS activities, in particular by ensuring a significant contribution to this goal from transport.

BG	[Country Specific Recommendations 2011]()	**Assessment of implementation of CSR 2011**	[Country Specific Recommendations 2012]()
	1. Proceed with effective budget implementation so as to correct the **excessive deficit** in 2011, in line with the Council Recommendation of 13 July 2010 under the EDP. Specify the measures underpinning the budgetary strategy for 2012-2014. Take advantage of the economic recovery to ensure adequate progress towards the medium-term objective, primarily by keeping tight control over expenditure growth, while prioritising growth-enhancing expenditure.	**1. Bulgaria has implemented the CSR**. Bulgaria has managed to correct its excessive deficit in 2011, with the fiscal outcome declining to 2.1% of GDP. The 2011 budget execution shows tight government control over expenditure in capital, compensation of employees and subsidies. The budget law for 2012 sets a budget deficit target of 1.5 % of GDP for 2012. According to the Commission services' spring forecast, Bulgaria is expected to further reduce the general budget deficit in 2012 and 2013.	**1.** Continue with sound **fiscal policies** to achieve the MTO by 2012. To this end, implement the budgetary strategy as envisaged, ensuring compliance with the expenditure benchmark, and stand ready to take additional measures in case risks to the budgetary scenario materialise. Strengthen efforts to enhance the quality of public spending, particularly in the education and health sectors and implement a comprehensive tax-compliance strategy to further improve tax revenue and address the shadow economy. Further improve the contents of the **medium-term budgetary framework** and the quality of the reporting system.
	2. Take further steps to improve the predictability of **budgetary planning** and the implementation control, including on an accruals basis, in particular by strengthening fiscal governance. To this end, design and put in place binding fiscal rules and a well-defined medium-term budgetary framework that ensures transparency at all government levels.	**2. Bulgaria has partially implemented the CSR**. A requirement to keep the budget deficit below 2% and limiting government expenditure to 40 % of GDP were adopted as an amendment to the Organic Budget Law, thus strengthening the binding nature of the fiscal framework. Going forward, efforts could be geared towards further improving the content of the medium-term budgetary framework, including by strengthening the budgetary process and the quality of reporting.	
	3. Implement the agreed steps with social	**3. Bulgaria has partially implemented the**	2. Take further steps to reduce risks to the

	partners under the current **pension reform,** advance some of its key measures that would help to increase the effective retirement age and reduce early exit, such as through the gradual increase of the social insurance length of service, and strengthen policies to help older workers to stay longer in employment.	**CSR**. The government has considerably accelerated some of the pension reform measures, including those on the pensionable age for both men and women and on the length of service for army and police employees. A further review of special pension regimes and the current rules for determining invalidity pensions will be needed, to raise the effective retirement age and reduce early retirement.	sustainability and to improve adequacy of the **pension system** by making the statutory retirement age the same for men and women with full career contributions. Introduce stricter criteria and controls for the allocation of invalidity pensions.
	4. Promote, in consultation with the social partners and in accordance with national practices, policies to ensure that **wage growth** better reflects developments in productivity and sustain competitiveness while paying attention to on- going convergence.	**4. Bulgaria has partially implemented the CSR**. Wage growth slowed down after the crisis in Bulgaria, bringing it broadly into line with productivity growth. Measures undertaken by the government to freeze public sector wage bill in 2010, 2011 and 2012 have been a relevant and adequate response, also contributing to bringing wage and labour costs closer to productivity. However, the main factor behind the increase in productivity is the sharp decline in employment.	
	5. Take steps to address the challenge of **combating poverty** and promoting social inclusion, especially for vulnerable groups facing multiple barriers. Take measures for modernising public employment services to enhance their capacity to match skills profiles with labour market demand; and focusing support on young people with low skills. Advance the **educational reform** by adopting a Law on Pre-School and School Education and a new Higher Education Act by mid 2012.	**5. Bulgaria has partially implemented the CSR**. Implementation of labour market programmes and measures in 2011 is positive but insufficient. On public employment services, progress is unconvincing since there have been no major improvements in their institutional capacity. Education reform should focus in particular on quality aspects, by urgently adopting the laws on school and high-school education and by introducing accompanying measures to modernise teaching	**3**. Accelerate the implementation of the national Youth Employment Initiative. Ensure that the minimum thresholds for social security contributions do not discourage declared work. Step up efforts to improve the Public Employment Service's performance. To **alleviate poverty**, improve the effectiveness of social transfers and the access to quality social services for children and the elderly and implement the National Roma Integration Strategy.

		curricula and to improve higher education governance.	4. Speed up the reform of relevant legal acts on **schools and higher education** and of accompanying measures by focusing on modernising curricula, improving teacher training, and ensuring effective access to education for disadvantaged groups. Improve the access to finance for start-ups and SMEs, in particular those involved in innovative activities.
	6. Step up efforts to **enhance administrative capacity** in key government functions and regulatory authorities, in order to make public services more effective in responding to the needs of citizens and businesses; introduce and implement effectively measures to check **public procurement** on the basis of risk assessments, strengthen the capacity of the authorities to prevent and sanction irregularities, in order to improve quality and value-for-money in the use of public funds.	**6. Bulgaria has partially implemented the CSR**. Some progress has been made on a new remuneration system for civil servants and on implementing the Action Plan for optimising the state administration, but it is too early to make an assessment. The Structural and Cohesion Funds implementation system continues to struggle with unnecessary bureaucracy and poor understanding of sound financial management. Bulgaria adopted two important pieces of legislation to help the authorities monitor public procurement practice and prevent and sanction irregularities. However, the adopted legislation is only the first step in ensuring sound and efficient procurement practice.	5. Step up efforts to **enhance administrative capacity** and reforms by reducing red tape and the cost of tax compliance and collection, and further improving the absorption of EU funds, in particular in road and rail transport and water management. Improve the quality and independence of the judicial system and speed up the introduction of e- government. Strengthen public administrative capacity in key transport sectors and regulatory authorities. 6. Ensure sound implementation of public procurement legislation. Strengthen the prevention of irregularities and effectively apply the sanctions under the **Public Procurement** Law and those of the Law on Conflict of Interest.
	7. Abolish **barriers to entry**, guaranteed profits arrangements and price controls and ensure full independence of the Bulgarian Energy Regulator, in order to open up the electricity	**7. Bulgaria has partially implemented the CSR**. One positive development is that the authorities have decided to improve the procedures and rules for allocating, controlling	7. Take measures to remove **market barriers**, guaranteed profit arrangements and price controls. Ensure the independence of transmission and distribution system operators;

	and gas markets to greater competition. Introduce incentives to upgrade the energy efficiency of buildings.	and metering heat consumption in multi-family residential buildings. However, substantial efforts are required from Bulgaria to ensure its full participation in creating a functioning internal market for energy. Topics of particular concern are the lack of electricity and gas exchanges and of a functioning balancing market, and regulated prices for final consumers.	complete the market design in particular for the energy exchanges and balancing markets. Improve electricity and gas connections, boost energy efficiency and enhance the capacity to cope with disruptions.

CZ	[Country Specific Recommendations 2011]()	**Assessment of implementation of CSR 2011**	[Country Specific Recommendations 2012]()
	1. Implement the planned consolidation in 2011 and take countervailing measures of a permanent nature as needed in case of any revenue shortfalls or expenditure slippages. Adopt fiscal measures as planned in the Convergence Programme for 2012 and underpin the target for 2013 by more specific measures; subject to this, avoid cutting expenditure on growth-enhancing items. Improve the efficiency of public investments, and continue efforts to exploit the available space for increases in indirect tax revenue to shift taxes away from labour, improve tax compliance, and reduce tax evasion. Ensure an average fiscal effort over the period 2010-2013 of 1 % of GDP, in line with the Council recommendations **on correcting the excessive deficit**, which will allow meeting the EDP deadline with a sufficient margin in 2013.	**1. The Czech authorities have adopted and implemented all the planned consolidation measures**. The measures planned for 2013 on the revenue side are sufficiently specific and quantified. Some measures on the expenditure side take the form of across-the-board cuts in the budget, which affects growth-enhancing expenditure items such as education. The significant drop in public investment in the last two years likewise appears to militate against protecting growth-enhancing expenditure. The Czech authorities are counting on the significant improvements in the efficiency of public. However, the budgeted savings will depend crucially on the actual implementation of the reforms, full details of which are not fully specified in the convergence programme. Concerning taxation, the authorities approved an increase in the reduced VAT rate, in excise duties on tobacco and a new tax on lottery companies. Significant changes to the tax system are planned over the period 2013-2015. Nevertheless, several issues that limit the efficiency and equity of the current tax system have not been addressed fully and further efforts will be needed. The average annual fiscal effort over the period 2010-2013 based on the	**1**. Ensure planned progress towards the timely **correction of the excessive deficit**. To this end, fully implement the 2012 budget and specify measures of a durable nature necessary for the year 2013 so as to achieve the annual average structural adjustment specified in the Council recommendation under the excessive deficit procedure. Thereafter, ensure an adequate structural adjustment effort to make sufficient progress towards the MTO, including meeting the expenditure benchmark. In this context, avoid across-the- board cuts, safeguard growth-enhancing expenditure and step up efforts to improve the efficiency of public spending. Exploit the available space for increases in taxes least detrimental to growth. Shift the high level of taxation on labour to housing and environmental taxation. Reduce the discrepancies in the tax treatment of employees and the self-employed. Take measures to improve tax collection, reduce tax evasion and improve tax compliance, including by implementing the Single Collection Point for all taxes.

		recalculated structural balance adds up to 0.9%, which is slightly below the recommended structural effort of 1%.	
	2. Implement the **planned pension reform** in order to improve the long-term sustainability of public finances and to ensure the future adequacy of pensions. Additional efforts should focus on further changes to the public pillar to ensure that the system is not a source of fiscal imbalances in the future, and on the development of private savings. With a view to raising the effective retirement age, measures such as a link between the statutory retirement age and life expectancy could be considered. Ensure that the envisaged funded scheme attracts broad participation, and is designed to keep administrative costs transparent and low.	**2. The CSR has been partly implemented**. The government has implemented a reform of the public pension system, but the projected fiscal imbalances in the pension system are still high and an explicit link between the retirement age and life expectancy was not included in the reform. A reform introducing a new fully funded pension scheme was approved in 2011, together with an overhaul of the existing pension savings scheme. Both reforms are planned to be implemented from 2013, but their effectiveness is limited by the lack of measures to stimulate participation in the new scheme and inadequate guidance for savers. Moreover, the new early retirement scheme proposed by the government undermines the credibility and ambition of these reforms.	2. Introduce further changes to the **public pension scheme** to ensure its long-term sustainability. Reconsider plans to allow an earlier exit from the labour market. Promote effective participation of younger workers in the envisaged funded scheme to improve adequacy of pensions.
	3. Enhance participation in the labour market by reducing the barriers for parents with young children to re-enter the labour market through increased availability and access to affordable **childcare facilities**. Increase the attractiveness and availability of more flexible forms of working arrangements, such as part-time jobs.	**3. The CSR has been partly implemented**. The government eased the technical requirements for setting up company-based kindergartens and envisages providing tax incentives for a greater take-up of new forms of private childcare. However, the impact of these measures is likely to be limited to persons either employed with large enterprises and/or on above-average salaries.	**3.** Take additional measures to significantly increase the availability of affordable and quality pre-school **childcare**.

	4. Improve the performance of the **public employment service** in order to increase the quality and effectiveness of training, job search assistance and individualised services, linking funding of the programmes to results. In cooperation with stakeholders, extend tailor-made training programmes, for older workers, young people, low-skilled workers and other vulnerable groups.	**4. The CSR has been partly implemented**. Some reforms have been adopted, which improved the efficiency of the public employment service, but do not address the quality and effectiveness of the labour office programmes or linking funding of programmes to results. Jobseekers have been given a choice of training programme; however, no steps have been taken to develop tailor made programmes or to provide additional funding targeted at specific groups.	**4.** Strengthen **PES** by increasing the quality and effectiveness of training, job search assistance and individualised services, including of outsourced services.
	5. Take the necessary measures to improve the **quality of public services** in areas essential for the business environment. In this context speed up the implementation of the **anti-corruption strategy** in line with the identified targets, adopt the Public Servants Act to promote stability and effectiveness of the public administration and take steps to address the issue of anonymous share holding.	**5. The CSR has been partially implemented**. There has been some progress with introducing e-government services and reducing the administrative burden for businesses. With respect to the anti-corruption strategy, adoption of the new Public Procurement Act has been the main achievement. Nevertheless, proper enforcement and implementation will be crucial for the credibility and effectiveness of the reform. Adoption of the Public Servants Act has been postponed numerous times, which had a significantly negative impact on implementation of the EU funds. A new draft act should be presented to the government in September 2012 but it is not expected to enter into force before 2014. The issue of anonymous shareholding has not been fully addressed yet.	**5**. Adopt and implement as a matter of urgency the Public Servants Act to promote **stability and effectiveness of the public administration** in avoiding irregularities. Ensure adequate implementation of the new Public Procurement Act. Address the issue of anonymous share holding. Ensure correct implementation of EU Funds and step up the **fight against corruption**.

	6. Establish a transparent system of **quality evaluation of academic institutions** and link it to its funding in order to improve the performance of tertiary education.	**6. The CSR has been partly implemented**. The government has introduced a set of quality indicators but its link to funding is fairly loose and there is no clear evidence that it has an impact on improving the quality of output. The government has proposed measures relevant to improving the performance of higher education institutions; however it is vague on the key issue of quality evaluation standards and lacks the support of the academic community. No measures have been adopted yet.	**6.** Adopt the necessary legislation to establish a transparent and clearly defined system for **quality evaluation of higher education** and research institutions. Ensure that the funding is sustainable and linked to the outcome of the quality assessment. Establish an improvement-oriented evaluation framework in compulsory education.

DK	Country Specific Recommendations 2011	Assessment of implementation of CSR 2011	Country Specific Recommendations 2012
	1. Implement fiscal consolidation measures in 2011, 2012 and 2013 and ensure an average annual fiscal effort of 0,5 % of GDP over the period 2011-2013 as planned and **correct the excessive deficit** by 2013 in line with the Council recommendation under the EDP. Thereafter ensure, as planned, an appropriate adjustment path towards the medium-term objective. Accelerate the reduction of the general government deficit if economic conditions turn out better than currently expected. **Strengthen expenditure control** by adopting binding multiannual spending ceilings for local, regional and central government which are consistent with the overall medium-term general budget targets.	**1.** Expenditure projections **seem to ensure the required adjustment** of the excessive deficit in 2013. The second part of the recommendation, regarding expenditure control, **has been fully implemented**.	**1.** Implement the budgetary strategy as envisaged, to ensure a **correction of the excessive deficit** by 2013 and achieve the annual average structural adjustment effort specified in the Council recommendations under the excessive deficit procedure. Thereafter, ensure an adequate structural adjustment effort to make sufficient progress towards the MTO, including meeting the expenditure benchmark.
	2. In order to strengthen employment and the sustainability of public finances, take further steps to increase long-term labour supply, by implementing the recently concluded reform on the voluntary early retirement **pension** (VERP) scheme, reforming the disability pension and better targeting **subsidised employment schemes** (the 'flex-job' system) towards the most vulnerable groups.	Agreements on legal acts aimed at strengthening management of public expenditure in Denmark has recently been concluded, and the independent Danish Economic Council will be given the task of assessing the long-term sustainability of public finances, the medium-term development of the budget balance and whether the expenditure ceilings are aligned with fiscal targets.	**2.** Take further steps to enhance long-term labour supply by reforming the disability **pension**, better targeting **subsidised employment schemes** (the 'flex-job' system) towards people with reduced work capacity, and improving the employability of people with a migrant background.

	3. Speed up the implementation of reforms to improve the quality of the **education system**. Reduce drop-out rates, particularly in the vocational education sector, and increase the number of apprenticeship places available.	**2. Denmark has so far partially implemented this CSR**. The reform of the voluntary early retirement scheme has been adopted in line with CSR 2 and a proposal to reform the disability pension and flex-job scheme has been put forward. The proposal heads in the right direction when it comes to implementing the recommendation, but no reform has yet been adopted.	**3**. Implement announced measures, without delay, to improve the cost-effectiveness of the **education system**, reduce drop- out rates, in particular within vocational education, and increase the number of apprenticeships.
	4. Take steps to remove **obstacles to competition**, in particular in local services and the retail sector, by reviewing legislation on land use and opening up procurement in municipalities and regions.	**3**. **This CSR is considered to be only partially implemented.** Denmark has set out a number of targets and plans for education and intends to put forward a range of initiatives aimed at preventing drop-outs from youth education and increasing the number of apprenticeships available. Nevertheless, Denmark still faces some challenges in the upper secondary educational system.	**4**. Continue efforts to remove **obstacles to competition**, in particular in local services, the retail and construction sector, including by further opening the municipal and regional procurement of services to competition and ensuring that competition law sanctions have a sufficiently deterrent effect.
	5. While supporting the ongoing stabilisation of the **real-estate market** following the recent price correction, consider preventive action to strengthen the medium-term stability of the housing market and the financial system including reviewing the functioning of the mortgage and property tax systems.	**4. This CSR can be regarded as only partially addressed**, as measures for some sectors have still not been implemented. Significant barriers to entry in the services sector were to some extent addressed by a Competition Package adopted in 2011. The matter of public procurement is to be dealt with in negotiations with regional and local governments.	**5.** Consider further preventive measures to strengthen the stability of the **housing market** and financial system in the medium term, including by taking account of the results of the ongoing study by the Ministry of Business and Growth on the distribution of assets and liabilities across households and by reviewing the property value tax system and the municipal land value tax system.
		5. Overall, the CSR has been partially implemented. Closer oversight of the debt level and different mortgage types is planned.	

		Although risks in terms of financial stability are not clear, measures to prevent future housing bubbles, in particular unfreezing property taxes in nominal terms are relevant. The government has ruled out any changes to property taxation during its current four-year term.	

DE	[Country Specific Recommendations 2011]()	Assessment of implementation of CSR 2011	[Country Specific Recommendations 2012]()
	1. Implement the **budgetary strategy** for the year 2012 and beyond as envisaged, thus **bringing the high public debt ratio on a downward path**, in line with the Council recommendations under the EDP. Ensure an adequate structural adjustment effort towards the medium-term objective thereafter. Complete the implementation of the **budgetary rule at the *Länder* level** and further strengthen the corresponding monitoring and sanctioning mechanism. Maintain a growth-friendly consolidation course, in particular by safeguarding adequate expenditure on education and by further enhancing the efficiency of public spending on health-care and long-term care.	**Germany has partially implemented 2011 CSRs. Most progress has been made in the field of fiscal policy**. Germany brought its fiscal deficit below the 3% of GDP reference value two years ahead of the deadline set by the Council, which thus abrogated its Decision on excessive deficit of 2010. The implementation of the debt break at the *Länder* level remains incomplete due to inadequate monitoring indicators. Although Germany adopted reforms on long term care and health care, these remain insufficient to cope with foreseen future increase in costs.	1. Continue with sound fiscal policies to achieve the MTO by 2012. To this end, implement the **budgetary strategy** as envisaged, **ensuring** compliance with the expenditure benchmark as well as sufficient **progress towards compliance with the debt reduction benchmark**. Continue the growth-friendly consolidation course through additional efforts to enhance the efficiency of public spending on healthcare and long-term care, and by using untapped potential to improve the efficiency of the tax system; use available scope for increased and more efficient growth-enhancing spending on education and research at all levels of government. Complete the **implementation of the debt brake in a consistent manner across all *Länder***, ensuring timely and relevant monitoring procedures and correction mechanisms.
	2. Address the structural weaknesses in the **financial sector**, in particular by restructuring *Landesbanken* which are in need of an adequately funded viable business model.	As to banks, similar recommendation remains for 2011 and 2012 since a long term vision for the entire *Landesbanken* sector is needed, together with a more forward looking macroprudential supervisory framework for the financial services	2. Address the remaining structural weaknesses in the **financial sector**, *inter alia* by further restructuring of those *Landesbanken* which are in need of an adequately funded viable business model while avoiding excessive deleveraging.

		sector.	
	3. Enhance **participation in the labour market** by improving equitable access to education and training systems and by taking further steps to reduce the high tax wedge in a budgetary neutral way and improve work incentives for persons with low income perspectives. Increase the number of fulltime childcare facilities and all-day schools. Closely monitor the effects of recent reform measures to reduce tax disincentives for second earners and take further measures in case disincentives remain.	There has been some progress on provision of equal opportunities in education. In the labour market, despite pension and long term care contribution reform, the tax wedge remains too high, especially for low income earners. In 2012, but not 2011, it is recommended for wages to grow in line with productivity (i.e. faster). Progress on improving all day childcare facilities and schools is slow, as are reform measures to reduce tax disincentives for second earners (foreseen introduction of childcare allowance could be another disincentive for both parents to work).	3. Reduce the high tax wedge in a budgetary neutral way, in particular for low-wage earners, and maintain appropriate activation and integration measures, in particular for the long-term **unemployed**. Create the conditions for wages to grow in line with productivity. Take measures to raise the educational achievement of disadvantaged groups, in particular through ensuring equal opportunities in the education and training system. Phase out the fiscal disincentives for second earners, and increase the availability of fulltime childcare facilities and all-day schools.
	4. Remove unjustified restrictions on certain professional services and on certain crafts. To improve **competition** in network industries, strengthen the supervisory role of the Federal Network Agency in the rail sector; and, in the context of the announced national **Energy** Concept, focus on improving the long-term cost-effectiveness of the Renewable Energy Act, ensuring the effective independence of energy production and transmission, and improving cross- border interconnections.	Even with new legislation, problems in the railways sector remain, since the separation between the infrastructure manager and the railway holding has not been abolished. Electricity grid has not been expanding satisfactorily and gas transport capacity is still too low. In 2012, construction sector has been mentioned specifically as one of the professional services lacking competition.	4. Continue efforts to keep the overall economic costs of transforming the **energy** system to a minimum, including by accelerating the expansion of the national and cross-border electricity and gas networks. Ensure that the institutional set-up guarantees effective **competition** in railway markets. Take measures to further stimulate competition in the services sectors, including professional services and certain crafts, in particular in the construction sector.

EE	Country Specific Recommendations 2011	Assessment of implementation of CSR 2011	Country Specific Recommendations 2012
	1. Achieve structural surplus by 2013 at the latest, while **limiting deficit in 2012** to at most 2.1 % of GDP, keeping tight control over expenditure and enhancing the efficiency of public spending.	**1. Estonia has partly implemented the CSR**: the 2012 programme forecasts a deficit of 2.6% of GDP in 2012, bigger than projected. The deterioration is a result of weaker revenue and of higher-than-expected expenditure on the one-off investment. The structural balance is expected to improve by 0.3% of GDP in 2013 reaching a balanced position according to the programme.	**1.** Preserve a sound fiscal position by implementing budgetary plans as envisaged, **ensuring achievement of the MTO by 2013** at the latest, and compliance with the expenditure benchmark. Complement the planned budget rule with more binding multiannual expenditure rules within the medium-term budgetary framework, continue enhancing the efficiency of public spending and implementing measures to improve tax compliance.
	2. Take steps to **support labour demand and to reduce the risk of poverty**, by reducing the tax and social security burden in a budgetary neutral way, as well as through improving the effectiveness of active labour market policies, including by targeting measures on young people and the long-term unemployed, especially in areas of high unemployment.	**2. Estonia has partly implemented the CSR**: a number of steps have been taken in the area of labour taxation. However, the rising take-up of disability and incapacity-for-work benefits has not been addressed. Efforts are being made to reduce the high unemployment, but long-term and youth unemployment are still high and skills levels are expected.	**2.** Improve **incentives to work** by streamlining the social benefits system and increasing flexibility in the allocation of disability, unemployment and parental benefits, while ensuring adequate social protection. Improve delivery of social services, while better targeting family and parental benefits and removing distortionary income tax exemptions related to children. Increase the participation of the young and the long-term unemployed in the labour market.
	3. Ensure implementation of planned incentives to reduce energy intensity and **improve the energy efficiency** of the economy, targeted on the buildings and transportation sectors, including by ensuring better market functioning.	**3. Estonia has partly implemented the CSR**: the measures in the National Energy Efficiency Action Plan are fully relevant, but are insufficient given the modal shift away from public transport. Also, the new cars fleet is the most energy-intensive in the EU. Finally, fuel	**4. Improve energy efficiency**, in particular in buildings and transport, and strengthen environmental incentives concerning vehicles and waste, including by considering incentives such as the taxation of vehicles. Foster renewable energy use, including through

		excise duties are insufficient to shift consumer patterns. Therefore, the challenge still applies and the CSR needs to be repeated.	upgraded infrastructure and legislation. Continue the development of cross-border connections to end relative market isolation.
	4. While implementing the **education system** reform, give priority to measures improving the availability of pre- school education, and enhance the quality and availability of professional education. Focus education outcomes more on labour market needs, and provide opportunities for low- skilled workers to take part in lifelong learning.	**4. Estonia has partly implemented the CSR**: the quality and availability of vocational education have improved and more measures are planned. Participation in lifelong learning is picking up, but with insufficient focus on low-skilled workers. Problems with matching education outcomes to labour market needs are continuing. There is an urgent need to reform the upper-secondary education/school system. Further attention needs to be paid to provision of public services by local authorities. Overall, the CSR needs to be repeated and adjusted.	**3. Link training and education more effectively** to the needs of the labour market, and enhance cooperation between businesses and academia. Increase opportunities for low-skilled workers to improve their access to lifelong learning. Foster prioritisation and internationalisation of the research and innovation systems.
			5. Enhance **fiscal sustainability of municipalities** while improving efficiency of local governments and ensure effective service provision, notably through stronger incentives for the merger of or increased cooperation between municipalities. Relevant reform proposals should be put in place within a reasonable timeframe.

IE	[Country Specific Recommendations 2011]()	**Assessment of implementation of CSR 2011**	[Country Specific Recommendations 2012]()
	Implement the measures laid down in Implementing Decision 2011/77/EU, as amended by Implementing Decision 2011/326/EU, and further specified in the Memorandum of Understanding of 16 December 2010 and its update of 18 May 2011.	Ireland has been granted by the EU and the IMF financial assistance, which amounts to €85bn. The financial assistance programme lasts for three years from 2010 to 2013. According to the latest review that took place in the beginning of July, **Ireland's policy implementation remains on track despite challenging macroeconomic conditions.** The main findings of the review mission are the following: • **Growth prospects** for the remainder of 2012 and into 2013 remain modest. • Decline in **bond yields** underlines the increasing confidence in Ireland's strong capacity to implement adjustment policies. • The authorities continue to advance reforms to restore the health of the Irish **financial sector**. The downsizing of bank balance sheets has progressed well. • **Fiscal targets** for the first half of 2012 were met, and the budget deficit is on track to be within the 8.6 percent of GDP target for 2012. However, Ireland's budget deficit remains the largest in the euro area. • Ireland's **unemployment** remains very high.	Implement the measures laid down in Implementing Decision 2011/77/EU and further specified in the Memorandum of Understanding of 16 December 2010 and its subsequent supplements.

EL	[Country Specific Recommendations 2011]()	**Assessment of implementation of CSR 2011**	[Country Specific Recommendations 2012]()
	Fully implement the measures laid down in the Decision 2010/320/EU, as amended by Decision 2011/257/EU, and as further specified in the Memorandum of Understanding of 3 May 2010 and its subsequent supplements, in particular the last supplement of 2 July 2011.	Greece made mixed progress towards achieving the ambitious objectives of the first adjustment programme and important fiscal targets were not met. The programme strategy has therefore been adjusted. **Fiscal targets** for 2012 and subsequent years have been revised. In early 2012, the government adopted a package of fiscal measures. However, current projections point to wide fiscal gaps in 2013–14. In Greece insufficient progress has been achieved in **tax policy and tax administration reforms.** The scaled-up official financing and the exchange of debt held by the private sector will improve debt sustainability prospects. Progress in **privatisation** has been slower than planned, on account of adverse market conditions and technical and legal hurdles in preparing assets for sale. Greece has begun to implement a comprehensive strategy to recapitalise banks and to restructure the **banking sector**, involving a number of supervisory and regulatory measures. Greece's medium-term economic performance will very much depend on the implementation of structural reforms. The government has adopted an ambitious set of **labour market** measures that complement the	Implement the measures laid down in Decision 2011/734/EU, as amended on 8 November 2011 and 13 March 2012, and the Memorandum of Understanding on Specific Economic Policy Conditionality, which was signed on 14 March 2012.

		reforms passed in 2010 and 2011. Greece has made insufficient progress with regard to the **reform of public procurement**. Greece has undertaken a number of important commitments to reform its **judicial system**.	

ES	Country Specific Recommendations 2011	Assessment of implementation of CSRs 2011	Country Specific Recommendations 2012
	1. Implement the budgetary strategy in 2011 and 2012 and correct the excessive deficit in the year 2013 in line with the Council recommendation under the EDP, ensuring the achievement of deficit targets at all levels of government, including by strictly applying the existing deficit and debt control mechanisms for regional governments; adopt further measures in case budgetary and economic developments do not turn out as expected; take any opportunity including from better economic conditions to accelerate the deficit reduction; set out concrete measures to fully underpin the targets for 2013 and 2014 which should bring the high public debt ratio on a downward path and ensure adequate progress towards the medium-term objective. Keep public expenditure growth below the rate of medium-term GDP growth, by introducing a binding expenditure rule at all levels of government, as envisaged. Further improve the provision of information in relation to regional and local government budgets and their execution.	**Spain has partially implemented 2011 CSRs. Most progress was made in pension reform and some in financial services sector and labour market.** Given the fiscal deficit being was worse than expected in 2011 (8.5% compared with the target of 6% of GDP) and with the latest projection for 2012 of 6.3% instead of 5.3% of GDP, Spain was given an extension of deadline for one year, i.e. by 2014 to correct its excessive deficit. As requested in 2011 Spain has adopted the Budgetary Stability Law, setting out expenditure rule across all levels of government.	1. Deliver an annual average structural fiscal effort of above 1,5 % of GDP over the period 2010-13 as required by the Council recommendation under the EDP by implementing the measures adopted in the 2012 budget and adopting the announced multiannual budget plan for 2013-14 by end July 2012. Adopt and implement measures at regional level in line with the approved rebalancing plans and strictly apply the new provisions of the Budgetary Stability Law regarding transparency and control of budget execution and continue improving the timeliness and accuracy of budgetary reporting at all levels of government. Establish an independent fiscal institution to provide analysis, advice and monitor fiscal policy. Implement reforms in the public sector to improve the efficiency and quality of public expenditure at all government levels.

	2. Adopt the proposed pension reform to extend the statutory retirement age and increase the number of working years for the calculation of pensions as planned; regularly review pension parameters in line with changes to life expectancy, as planned, and develop further measures to improve lifelong learning for older workers.	Although Spain has implemented this recommendation, further concrete measures need to be undertaken.	2. Ensure that the retirement age is rising in line with life expectancy when regulating the sustainability factor foreseen in the recent pension reform and underpin the Global Employment Strategy for Older Workers with concrete measures to develop lifelong learning further, improve working conditions and foster the reincorporation of this group in the job market.
	3. Monitor closely the ongoing restructuring of the financial sector, in particular as regards savings banks, with a view to finalising it by 30 September 2011 as envisaged.	In the meantime Spain was granted **EU financial assistance of €100 bn (EFSF)** for recapitalisation and restructuring of its financial sector.	4. Implement the reform of the financial sector, in particular complement the on-going restructuring of the banking sector by addressing the situation of remaining weak institutions, put forward a comprehensive strategy to deal effectively with the legacy assets on the banks' balance sheets, and define a clear stance on the funding and use of backstop facilities.
	4. Explore the scope for improving the efficiency of the tax system, for example through a move away from labour towards consumption and environmental taxes while ensuring fiscal consolidation plans.	Spain has adopted measures going in a different direction as recommended. It has increased direct tax with higher burden on labour and capital instead of broadening the VAT base.	3. Introduce a taxation system consistent with the fiscal consolidation efforts and more supportive of growth, including a shift away from labour towards consumption and environmental taxation. In particular, address the low VAT revenue ratio by broadening the tax base for VAT. Ensure less tax-induced bias towards indebtedness and homeownership (as opposed to renting).
	5. Following consultation with social partners and in accordance with national practice,	Collective bargaining reform has been implemented in February 2012.	

	complete the adoption and proceed with the implementation of a comprehensive reform of the collective bargaining process and the wage indexation system to ensure that wage growth better reflects productivity developments as well as local- and firm-level conditions and to grant firms enough flexibility to internally adapt working conditions to changes in the economic environment.		
	6. Assess, by the end of 2011, the impacts of the labour market reforms of September 2010 and of the reform of active labour market policies of February 2011, accompanied, if necessary, by proposals for further reforms to reduce labour market segmentation, and to improve employment opportunities for young people; ensure a close monitoring of the effectiveness of the measures set out in the National Reform Programme to reduce early school leaving, including through prevention policies, and facilitate the transition to vocational education and training.	Recommendation on active, targeted labour market policy has been repeated in 2012. As part of labour market reform, Spain has tried to limit the use of temporary contracts; there is however a risk that the probationary period for permanent contracts is misused as quasi temporary contract with no termination costs. Moreover, dismissal of employees on permanent contracts is still too burdensome. Early school leaving rate remains high; with 28.4% in 2010 still far from the Europe 2020 target of 15% . Expenditure on R&D was only at 1.39% of GDP in 2010, thus far from Europe 2020 3% target.	5. Implement the labour market reforms and take additional measures to increase the effectiveness of active labour market policies by improving their targeting, by increasing the use of training, advisory and job matching services, by strengthening their links with passive policies, and by strengthening coordination between the national and regional public employment services, including sharing information about job vacancies. 6. Review spending priorities and reallocate funds to support access to finance for small and medium-sized enterprises (SMEs), research, innovation and young people. Implement the Youth Action Plan, in particular as regards the quality and labour market relevance of vocational training and education, and reinforce efforts to reduce early school-leaving and increase participation in vocational education and training through prevention, intervention

			and compensation measures.
	7. Further open up professional services and enact the planned legislation in order to redesign the regulatory framework and eliminate current restrictions to competition, efficiency and innovation; implement the Law on Sustainable Economy, notably measures aimed at improving the business environment and enhancing competition in the product and service markets, at all levels of government; and improve coordination between regional and national administrations to reduce the administrative burden for enterprises.	Spain made no progress to present new law on professional services, which was part of its 2011 commitments. It has set up the Advisory Commission on Competitiveness. Spain also needs to carry on with privatisation process and reduce administrative burden for enterprises.	

FR	[Country Specific Recommendations 2011]()	**Assessment of implementation of CSR 2011**	[Country Specific Recommendations 2012]()
	1. Ensure the recommended average annual fiscal effort of more than 1 % of GDP over the period 2010-2013 and implement the **correction of the excessive deficit by 2013**, in line with the Council recommendations under the EDP, thus bringing the high public debt ratio on a downward path, and ensure adequate progress to the medium-term objective thereafter; specify the necessary corresponding measures for 2012 onwards, take additional measures if needed and use any windfall revenues to accelerate the deficit and debt reduction as planned; continue to review the sustainability of the **pension system** and take additional measures if needed.	**1. Overall, the country-specific recommendation has been partly implemented**. Consolidation measures were adopted to adjust to lower-than-expected growth, but measures backing the consolidation strategy from 2013 onwards still need to be specified, especially on the expenditure side, and additional efforts may be needed to bring the deficit below 3% of GDP by 2013 and ensure an average annual fiscal effort of above 1% of GDP over 2010-2013. Concerning the long-term sustainability of public finances, the 2010 pension reform is being gradually applied; however, it cannot be ensured that the system will be balanced by 2018.	1. Reinforce and implement the budgetary strategy, supported by sufficiently specified measures, notably on the expenditure side, for the year 2012 and beyond to ensure a **correction of the excessive deficit by 2013** and the achievement of the structural adjustment effort specified in the Council recommendations under the excessive deficit procedure. Thereafter, ensure an adequate structural adjustment effort to make sufficient progress towards the MTO, including meeting the expenditure benchmark, and ensure sufficient progress towards compliance with the debt reduction benchmark. Continue to review the sustainability and adequacy of the **pension system** and take additional measures if needed.
	2. Undertake renewed efforts, in accordance with national practices of consultation with the social partners, to combat **labour market segmentation** by reviewing selected aspects of employment protection legislation while improving human capital and upward transitions; ensure that any development in the minimum wage is supportive of job creation.	**2. Overall, the recommendation has been partly implemented**. Limited reforms have been carried out to address labour market segmentation. Measures have been taken that seek to provide flexible work arrangement for companies facing temporary difficulties, and economic dismissals were facilitated for companies with fewer than 1000 employees. These measures increase the flexibility of the labour market, but do not specifically address the segmentation of the labour market.	**2.** Introduce further reforms to combat **labour market segmentation** by reviewing selected aspects of employment protection legislation, in consultation with the social partners in accordance with national practices, in particular related to dismissals; continue to ensure that any development in the minimum wage is supportive of job creation and competitiveness; take actions to increase adult participation in

			lifelong learning.
	3. Encourage access to lifelong learning in order to help maintain older workers in employment and enhance measures to support return to employment. Step up active **labour market policies** and introduce measures to improve the organisation, decision-making, and procedures of the public employment service to strengthen services and individualised support provided to those at risk of long-term unemployment.	**3. Overall, the recommendation has been partly implemented**. Adopted plans for senior workers generally lack ambition. The development of financial incentives for low-skilled job seekers aged more than 45 had modest impact. The resources available to public employment services are unlikely to be sufficient to improve significantly the quality of the services offered. A more ambitious strategy is needed in the field of adult learning.	**3.** Adopt **labour market measures** to ensure that older workers stay in employment longer; improve youth employability especially for those most at risk of unemployment, by providing for example more and better apprenticeship schemes which effectively address their needs; step up active labour market policies and ensure that public employment services are more effective in delivering individualised support.
	4. Increase the **efficiency of the tax system**, including for example through a move away from labour towards environmental and consumption taxes, and implementation of the planned reduction in the number and cost of tax and social security exemptions (including 'niches fiscales').	**4. Overall, the recommendation has been partly implemented.** France adopted an increase in VAT and in social levies on capital income and gains to compensate for lower employers' social contributions. The ambition of this measure seems limited, given its narrow focus and the developments on measures increasing the tax burden on labour. No specific measures have been taken to raise VAT efficiency, except for certain categories of goods and services. Efforts have been made to reduce tax expenditures; however, they have also been accompanied by rate rises that tend to increase the already high tax burden on labour. No major move from labour towards environmental taxes has been proposed so far.	4. Take further steps to introduce a **more simple and balanced taxation system**, shifting the tax burden from labour to other forms of taxation that weigh less on growth and external competitiveness, in particular environmental and consumption taxes; continue efforts to reduce and streamline tax expenditures (in particular those providing incentives to indebtedness); review the effectiveness of the current reduced VAT rates in support of growth and job creation.
	5. Take further steps to **remove unjustified restrictions on regulated trades and professions**, in particular in services and the	**5. Overall, the recommendation has been partly implemented.** France undertook reforms to remove restrictions on selected trades and	**5.** Pursue efforts to **remove unjustified restrictions on regulated trades and professions,** in particular in services and the

	retail sector.	professions. However, no horizontal review has been conducted and these measures will have a marginal impact. In the retail sector, the reforms provided for the draft law strengthening the rights, the protection and information of consumers would have a marginal impact and lack ambition.	retail sector; take further steps to liberalise network industries, in particular in the electricity wholesale market, develop energy interconnection capacity and facilitate the entry of new operators into the rail freight and international passenger transport sectors.

IT	[Country Specific Recommendations 2011]()	Assessment of implementation of CSR 2011	[Country Specific Recommendations 2012]()
	1. Implement the planned fiscal consolidation in 2011 and 2012 to ensure **correction of the excessive deficit** in line with the Council recommendations under the EDP, thus bringing the high public debt ratio on a downward path. Building on recently approved legislation, fully exploit any better-than-expected economic or budgetary developments for faster deficit and **debt reduction** and stand ready to prevent slippages in budgetary implementation. Back up the targets for 2013-2014 and the planned achievement of the medium-term objective by 2014 with concrete measures by October 2011 as provided for in the new multi-annual budgetary framework. Further strengthen the framework by introducing enforceable ceilings on expenditure and **improving monitoring across all government subsectors**.	**1. Italy has partially implemented the CSR.** Three packages were adopted in 2011 on fiscal consolidation. The Italian Parliament has adopted a balanced budget rule in the Italian Constitution. Effective ordinary legislation will need to be designed, specifying the balance to be considered, application arrangements (e.g. cyclical conditions) and appropriate correction mechanisms, as required by the fiscal compact.	**1.** Implement the budgetary strategy as planned, and ensure that the **excessive deficit is corrected in 2012**. Ensure the planned structural primary surpluses so as to put the **debt- to-GDP ratio on a declining path by 2013**. Ensure adequate progress towards the MTO, while meeting the expenditure benchmark and making sufficient progress towards compliance with the debt reduction benchmark. **2.** Ensure that the specification in the implementing legislation of the key features of the balanced budget rule set out in the Constitution, including appropriate **coordination across levels of government**, is consistent with the EU framework. Pursue a durable improvement of the efficiency and quality of public expenditure through the planned spending review and the implementation of the 2011 Cohesion Action Plan leading to improving the absorption and management of EU funds, in particular in the South of Italy.
	2. Reinforce measures to **combat segmentation in the labour market**, also by reviewing	**2. Italy has partially implemented the CSR**. It did not adopt key policies to fight undeclared	**4.** Adopt the **labour market reform** as a priority to tackle the segmentation of the labour

	selected aspects of employment protection legislation including the dismissal rules and procedures and reviewing the currently fragmented unemployment benefit system taking into account the budgetary constraints. Step up efforts to **fight undeclared work**. In addition, take steps to promote greater participation of women in the labour market, by increasing the availability of care facilities throughout the country and providing financial incentives to second earners to take up work in a budgetary neutral way.	work and provided limited support for female employment. The labour market reform presented by the government aims to comprehensively address the rigidities and asymmetries of employment protection legislation while moving towards a more integrated unemployment benefit scheme. This should improve the balance between flexibility of entry into and exit from the labour market.	market and establish an integrated unemployment benefit scheme. Take further action to incentivise labour market participation of women, in particular through the provision of childcare and elderly care. Monitor and if needed reinforce the implementation of the new **wage setting framework** in order to contribute to the alignment of wage growth and productivity at sector and company level.
	3. Take further steps, based on the 2009 agreement **reforming the collective bargaining framework** and in consultation with the social partners in accordance with national practices, to ensure that wage growth better reflects productivity developments as well as local and firm conditions, including clauses that could allow firm level bargaining to proceed in this direction.	**3. Italy has partially implemented the CSR**. A social partners' agreement was reached in June, allowing firm-level bargaining to derogate from labour law (including on dismissal procedures and type of contracts to be used in the firm). Implementation of the agreement on collective bargaining will crucially depend on the behaviour of the social partners.	
	4. Extend the process of **opening up the services sector to further competition**, including in the field of professional services. Adopt in 2011 the Annual Law on Competition, taking into account the recommendations presented by the Anti-trust Authority. Reduce the length of contract law enforcement procedures. Further strengthen actions to promote the access of SMEs to capital markets	**4. Italy has partially implemented the CSR.** Rules were adopted to liberalise local public services, lift rigidities in professional services, strengthen the Antitrust Authority's powers and abolish disproportionate bans, restrictions and authorisations on economic activity from 2012 (this requires further legislative measures to be taken by the end of 2012). Sectoral liberalisation was launched, and reforms of the	**6.** Implement the adopted **liberalisation and simplification measures in the services sector**. Take further measures to improve market access in network industries, as well as infrastructure capacity and interconnections. Simplify further the regulatory framework for businesses and enhance administrative capacity. Improve access to financial instruments, in particular equity, to finance growing businesses and

	by **removing regulatory obstacles** and reducing costs.	judicial system were adopted, to improve its efficiency by reducing case-handling duration and backlogs.	innovation. Implement the planned reorganisation of the civil justice system, and promote the use of alternative dispute settlement mechanisms.
	5. Improve the framework for private sector **investment in research and innovation** by extending current fiscal incentives, improving conditions for venture capital and supporting innovative procurement schemes.	**5. Italy has partially implemented the CSR**. Some measures have been taken, notably the refinancing of the tax credit for research for companies. The level of ambition and effectiveness is, however, insufficient. There has been no significant improvement on promoting venture capital.	
	6. Take steps to accelerate in a cost-effective way **growth-enhancing expenditure** co-financed by cohesion policy funds in order to reduce the persistent disparities between regions, by improving administrative capacity and political governance. Respect the commitments made in the national Strategic Reference Framework in terms of the amount of resources and quality of expenditure.	**6. Italy has partially implemented the CSR**. Measures to speed up the absorption of structural funds started in March 2011 and culminated in the November Cohesion Action Plan. Major deficiencies in the capacity of the public administration continue to hamper programme implementation, notably in the convergence regions.	
			5. Pursue the **fight against tax evasion**. Pursue the shadow economy and undeclared work, for instance by stepping up checks and controls. Take measures to reduce the scope of tax exemptions, allowances and reduced VAT rates and simplify the tax code. Take further action to shift the **tax burden away from capital and labour to property and consumption as well as environment**.
			3. Take further action to **address youth**

			unemployment, including by improving the labour-market relevance of education and facilitating transition to work, also through incentives for business start-ups and for hiring employees. Enforce nation-wide recognition of skills and qualifications to **promote labour mobility**. Take measures to **reduce tertiary education dropout rates** and fight early school leaving.

CY	[Country Specific Recommendations 2011]()	Assessment of implementation of CSR 2011	[Country Specific Recommendations 2012]()
	1. Adopt the necessary measures of a permanent nature to achieve the budgetary target in 2011 and the correction of the **excessive deficit** by 2012, in line with the Council recommendations under the EDP. Take measures to keep tight control over expenditure and make use of any better- than-expected budgetary developments for faster deficit and debt reduction. Ensure progress towards the medium-term objective by at least 0,5 % of GDP annually and bring the public debt ratio on a downward path. Accelerate the phasing-in of an enforceable multiannual budgetary framework with a binding statutory basis and corrective mechanisms, as from the preparation of the 2012 budget. The programme and performance budgeting should be implemented as soon as possible.	1. **Cyprus has implemented CSR 1 only partially**. Effective action has been taken to correct the excessive budget deficit in a timely and sustainable manner, by 2012. However, an enforceable multiannual budgetary framework law has not yet adopted, although the Cypriot authorities committed to adopt it by May 2012.	**1.** Take additional measures to achieve a durable correction of the **excessive deficit** in 2012. Rigorously implement the budgetary strategy, supported by sufficiently specified measures, for the year 2013 and beyond to ensure the achievement of the MTO by 2014 and compliance with the expenditure benchmark and ensure sufficient progress with the debt reduction benchmark. Accelerate the phasing-in of an enforceable multiannual budgetary framework with a binding statutory basis and corrective mechanism. Take measures to keep tight control over expenditure and implement programme and performance budgeting as soon as possible. Improve tax compliance and fight against tax evasion.
	2. Strengthen further the prudential framework for **supervision of banks** and cooperative credit societies to ensure early detection of risks.	**2. Cyprus has implemented CSR 2 only partially**. Effective action was taken with the adoption of two legal instruments to strengthen the resilience of the banking system against financial crises.	**2.** Further harmonise the **supervisory and the regulatory framework for the cooperative credit societies in line with the standards applied for the commercial banks**. Strengthen regulatory provisions for the efficient recapitalisation of the financial institutions in order to limit exposure of the financial sector to external shocks.

	3. Improve the **long-term sustainability** of public finances by implementing reform measures to control pension and healthcare expenditure in order to curb the projected increase in age-related expenditure. For pensions, extend years of contribution, link retirement age with life expectancy or adopt other measures with an equivalent budgetary effect, while taking care to address the high at-risk-of-poverty rate for the elderly. For healthcare, take further steps to accelerate implementation of the **national health insurance system.**	**3. Cyprus has implemented CSR 3 only partially**: On pension system sustainability and poverty risk for the elderly, a series of measures have been taken in the framework of fiscal consolidation to control pension expenditure. However, there is a lack of ambition and long-term vision. Measures addressing the risk of poverty for the elderly need to be monitored. On the health insurance system, Cyprus has not implemented the recommendation: no progress was observed in the direction of implementation of the national health insurance system.	**3.** Further improve the **long-term sustainability** and adequacy of the pensions system and address the high at-risk-of-poverty rate for the elderly. Ensure an increase in the effective retirement age, including through aligning the statutory retirement age with the increase in life expectancy. **4**. Complete and implement the **national healthcare system** without delay, on the basis of a roadmap, which should ensure its financial sustainability while providing universal coverage.
	4. Take steps to reform, in consultation with social partners and in accordance with national practices, **the system of wage bargaining and wage indexation** to ensure that wage growth better reflects developments in labour productivity and competitiveness.	**4. Cyprus has implemented CSR 4 only partially**. On the wage indexation system, a two-year freeze of the cost of living allowance was decided, also bringing about a downward shift in the public wage bill. A social dialogue is currently under way regarding reform of the wage indexation system.	**7.** Improve competitiveness, including through the **reform of the system of wage indexation,** in consultation with social partners and in line with national practices, to better reflect productivity developments. Take steps to diversify the structure of the economy. Redress the fiscal balance by restraining expenditure.
	5. Take further steps, within the reforms planned for the **vocational education and training system**, to match education outcomes to labour market needs better, including by setting up post-secondary vocational education and training institutes. Take measures to increase the effectiveness of the vocational training system by increasing the incentives for and improving access to vocational education and training, especially for low-skilled workers, women and older workers.	**5. Cyprus has implemented CSR 5 only partially**. A draft policy proposal for setting up Post-Secondary Institutes for Vocational Education and Training has been prepared, pending approval by the Ministerial Council. Following its approval, four Institutes will be running as of September 2012. The gradual introduction of new curricula from primary to the first year of upper secondary education is proceeding, having started in September 2011.	5. Improve the **skills of the workforce** to reinforce their occupational mobility towards activities of high growth and high value added. Take further measures to address youth unemployment, with emphasis on work placements in companies and promotion of self-employment. Take appropriate policy measures on the demand side to stimulate business innovation.

		There is still a need to strengthen the appropriate re-skilling and up-skilling training schemes targeted at the indicated groups (low-skilled, unemployed, and older workers).	
	6. Abolish **remaining obstacles to the establishment and free provision of services** in sector-specific legislation by December 2011 in order to create more opportunities for growth and jobs in the services sector.	**6. Cyprus has implemented CSR 6 only partially.** Cyprus transposed the Services Directive by way of horizontal law. However, in some sectors such as retailing, tourism, and construction services, sector-specific legislation and a firm timetable for adoption are still awaited.	**6.** Remove **unjustified obstacles in services markets,** in particular by improving the implementation of the Services Directive in service sectors with the most growth potential (including tourism) and by opening up the provision of professional services.
	7. Introduce measures to **increase the diversity of the energy mix and the expansion of renewable energy sources.** Establish, by 2012, a water management plan and a price- setting scheme reflecting cost efficiency and equity concerns in order to ensure more sustainable management of water resources.	**7. Cyprus has implemented CSR 7 only partially.** To date, Cyprus has not submitted its Progress Report due in December 2011 (as required by the Renewable Energy Directive) to allow the Commission to assess and monitor progress in meeting the national target (13 %) of diversifying its energy mix and expanding the use of renewable sources. Cyprus adopted its River Management Plan on 9 June 2011, and it is currently being assessed by the Commission. The Plan also includes water pricing policies as indicated by the Directive, and seems to be in line with the CSR.	

LV	[Country Specific Recommendations 2011]	**Assessment of CSR 2011 and comparison CSRs 2011/2012**	[Country Specific Recommendations 2012]
	Implement the measures laid down in Decision 2009/290/EC, as amended by Decision 2009/592/EC, and further specified in the Memorandum of Understanding of 20 January 2009 and its subsequent supplements, in particular the last supplement of 7 June 2011.	Latvia was granted in 2009 financial assistance, which amounted to €7.5bn. Latvia successfully implemented stringent austerity measures and in January 2012 when the financial assistance programme ended, it returned to the markets. According to the Commission's 2012 Staff Working Paper, Latvia has almost fully implemented the 2011 commitments in the fiscal and fiscal governance field, in particular as regards strong and front-loaded fiscal adjustment which should allow the country to exit the Excessive Deficit Procedure in spring 2013. On the down side, there have been some delays as regards the Fiscal Discipline Law. Concerning tax measures, Latvia's commitments have been implemented partly. The government has proposed to start reducing the tax wedge on labour (personal income tax rate and non-taxable thresholds) from January 2013 but it remains to be seen how ambitious the reforms will be. There have been some steps towards improving the business environment but much remains to be done as regards tax compliance procedures, ensuring fair procurement, skilled labour force,	1. **Ensure planned progress towards** the timely **correction of the excessive deficit**. To this end, implement the budget for the year 2012 as envisaged and achieve the fiscal effort specified in the Council recommendation under the excessive deficit procedure. Thereafter, **implement** a **budgetary strategy**, supported by sufficiently specified structural measures, for the year 2013 and beyond, to make sufficient progress towards the MTO, and to respect the expenditure benchmark. **Use better than expected cyclical revenue to reduce government debt.**

		and more efficient use of EU funds. In terms of strengthening the supervision of the financial system, commitments have not been implemented fully, though follow-up action should further improve the stability of the financial system. In particular, closer relations with neighbouring financial sector regulators are important to avert future cross-border crises.	
			2. Implement measures to **shift taxation away from labour** to consumption**,** property, and use of natural and other resources while improving the structural balance; **ensure adoption of the Fiscal Discipline Law** and develop a medium term budgetary framework law to support the long-term sustainability of public finances; **restore contributions to the mandatory funded private pension scheme at 6 % of gross wages** from 2013.
			3. Take measures to **reduce long-term and youth unemployment** by fighting early school leaving, promoting more efficient vocational education and training and its apprenticeship component, enhancing the quality, coverage and effectiveness of active labour market policy and its training component and through an effective wage subsidy scheme.
			4. Tackle high rates of poverty and social exclusion by **reforming the social assistance**

			system to make it more efficient, while better protecting the poor. Ensure better targeting and increase incentives to work.
			5. Further **encourage energy efficiency** by implementing measures and providing incentives for reducing energy costs and shifting consumption towards energy-efficient products, including vehicles, buildings and heating systems. Promote competition in major energy networks and improve connectivity with EU energy networks.
			6. Take measures to **improve management and efficiency of the judiciary**, in particular to reduce the backlog and length of procedures. Take steps to improve the insolvency regime and the mediation laws.
			7. **Continue reforms in higher education**, inter alia, by implementing a new financing model that rewards quality, strengthens links with market needs and research institutions, and avoids fragmentation of budget resources. Design and implement an effective research and innovation policy encouraging companies to innovate, including via tax incentives, upgrading infrastructure and rationalising research institutions.

LT	Country Specific Recommendations 2011	Assessment of implementation of CSR 2011	Country Specific Recommendations 2012
	1. Adopt additional fiscal measures of a permanent nature by the time of the 2012 budget to **correct the excessive deficit** in line with the Council recommendations under the EDP. Reinforce tax compliance and take full advantage of the economic recovery to further accelerate deficit reduction and ensure progress towards the medium-term objective by at least 0,5 % of GDP annually. Strengthen the **fiscal framework,** in particular by introducing enforceable and binding expenditure ceilings in the medium-term budgetary framework.	**Lithuania has overall partially implemented the 2011 CSRs.** The 2012 budget targets a general government deficit of 3% of GDP, which is consistent with the aim to correct the excessive deficit by 2012 if fully implemented. The medium-term objective of a structural surplus of 0.5% of GDP is not expected to be achieved until 2014. Measures have yet to be specified and structural reforms accelerated.	1. Ensure planned progress towards the timely **correction of the excessive deficit**. To this end, fully implement the budget for the year 2012 and achieve the structural adjustment effort specified in the Council recommendation under the excessive deficit procedure. Thereafter, specify the measures necessary to ensure implementation of the **budgetary strategy** for the year 2013 and beyond as envisaged, ensuring an adequate structural adjustment effort to make sufficient progress towards the MTO, including meeting the expenditure benchmark, while minimising cuts in growth-enhancing expenditure. In that respect, review and consider increasing those **taxes** that are least detrimental to growth, such as housing and environmental taxation, including introducing car taxation, while reinforcing tax compliance. Strengthen the fiscal framework, in particular by introducing enforceable and binding expenditure ceilings in the medium-term budgetary framework.
	2. Adopt the proposed implementing legislation on **Pension System Reform**. In order to enhance **participation in the labour market**, remove fiscal disincentives to work, especially for people at pensionable age.	No significant changes to the labour legislation were made in 2011.	2. Adopt legislation on a comprehensive **pension system reform.** Align the statutory retirement age with life expectancy, establish clear rules for the indexation of pensions, and improve complementary savings schemes.

			Underpin pension reform with active ageing measures.
	3. Enhance **labour market flexibility** by amending the labour legislation to make it more flexible and to allow better use of fixed-term contracts. Amend the relevant legislation to ensure that the social assistance system does not contain disincentives to work.		3. Tackle high **unemployment**, in particular among youth, low-skilled and long-term unemployed, by focusing resources on active labour market policies while improving their efficiency. Enhance the effectiveness of apprenticeship schemes. Amend the labour legislation with regard to flexible contract agreements, dismissal provisions and flexible working time arrangements. 4. Increase work incentives and strengthen the links between the **social assistance reform and activation measures**, in particular for the most vulnerable, to reduce poverty and social exclusion.
	4. Implement all aspects of the **State-owned enterprise reform package** by the end of 2011, ensuring a separation of ownership and regulatory functions, clear enterprise objectives, enhanced transparency and a separation of commercial and non-commercial activities.		5. Implement all aspects of the **reform package of state-owned enterprises** and in particular ensure a separation of ownership and regulatory functions and a separation of commercial and non-commercial activities. Install appropriate monitoring tools to assess the effectiveness of the reforms and ensure compliance of all state-owned enterprises with the requirements of the reform.
	5. Improve the **energy efficiency** of buildings, including through a rapid implementation of the Holding Fund, and take steps to shift taxation towards energy use.	Minor measures were implemented regarding shifting taxation towards energy use.	6. Step up measures to improve the **energy efficiency** of buildings, including through removing disincentives and a rapid implementation of the holding fund. Promote

	6. Take steps to improve start-up conditions and the delivery of construction permits, and to strengthen **competition in the energy and retail sectors.**	Lithuania has fully implemented its commitments to improve business conditions, while it partially implemented measures to strengthen competition especially in the energy and retail sector.	**competition in energy networks** by improving interconnectivity with the Member States for both electricity and gas.

LU	Country Specific Recommendations 2011	Assessment of implementation of CSR 2011	Country Specific Recommendations 2012
	1. Take advantage of the improving cyclical conditions, strengthen the **fiscal effort** and use unexpected additional revenue in order to further reduce the headline **deficit** and reach the medium-term objective in 2012.	By using unexpected revenues to reduce the deficit, **Luxembourg implemented part of 2011 recommendations.** With a structural balance of around 0.4% of GDP in 2011, Luxembourg broadly reached its medium-term objective. However, a significant deviation from the adjustment path towards the MTO is to be expected from 2012 onwards.	1. Preserve a sound fiscal position by **correcting any departure from a MTO** that ensures the long-term sustainability of public finances, in particular taking into account implicit liabilities related to ageing. To this end, reinforce and rigorously implement the **budgetary strategy**, supported by sufficiently specified measures, for the year 2013 and beyond, including meeting the expenditure benchmark.
	2. Propose and implement a broad **pension reform** to ensure the long-term sustainability of the pension system, starting with measures that will increase the participation rate of older workers, in particular by discouraging early retirement. With a view to rising the effective **retirement age**, measures such as a link between the statutory retirement age and life expectancy, could be considered.	Regarding pension reform, Luxembourg is taking steps in the right direction but the reform does not seem to constitute a sufficient guarantee for the long-term sustainability of the system.	2. Strengthen the proposed **pension reform** by taking additional measures to increase the participation rate of older workers, in particular by preventing early retirement, and by taking further steps to increase the effective **retirement age**, including through linking the statutory retirement age to life expectancy, in order to ensure the long-term sustainability of the pension system.
	3. Take steps to reform, in consultation with social partners and in accordance with national practices, the **system of wage bargaining and wage indexation**, to ensure that wage growth better reflects developments in labour productivity and competitiveness.	Concerning the system of wage bargaining and wage indexation, Luxembourg partially implemented the recommendations. A permanent revision of the wage setting system, in consultation with social partners and in accordance with national practises, is necessary	3. Take further steps to reform, in consultation with the social partners and in accordance with national practice, the **wage bargaining and wage indexation system,** with a view to preserve the competitiveness of the Luxembourg economy in the longer term, as a

		to preserve competitiveness in the longer term. Interval beyond 2014 and by reducing the impact of energy and other volatile items on the reference index.	first step by maintaining the current one-year indexation.
	4. Take steps to reduce **youth unemployment** by reinforcing training and education measures aimed at better matching young people's qualifications to labour demand.	A series of measures in the area of education and training have been adopted. Luxembourg has clearly taken steps to tackle the relatively high youth unemployment but there is still need for a coherent strategy, stronger cooperation with municipalities, more efficient use of employment services and more investment in training and education.	4. Continue efforts to reduce **youth unemployment** by reinforcing stakeholders' involvement, and by strengthening training and education measures, in particular for those with low education levels, with the aim of better matching young people's skills and qualifications to labour demand.
			5. Ensure that the targets for **reducing greenhouse gas emissions** from non-ETS (Emissions Trading System) activities will be met, in particular by increasing taxation on energy products.

HU	[Country Specific Recommendations 2011]()	Assessment of implementation of CSR 2011	[Country Specific Recommendations 2012]()
	1. Strengthen the fiscal effort in order to comply with the Council recommendation to **correct the excessive deficit** in a sustainable manner, inter alia by avoiding the structural deterioration in 2011 implicit in the planned 2 % of GDP budget surplus and ensure that the budget deficit is kept safely below the 3 % of GDP threshold in 2012 and beyond, contributing to the **reduction of the high public debt ratio**. Fully implement the announced fiscal measures and adopt additional measures of a permanent nature if needed at the latest in the 2012 budget to secure the budgetary target for that year. The 2012 budget should also identify the additional measures in order to attain the 2013 target in the convergence programme. Ensure progress towards the medium-term objective (MTO) by at least 0,5 % of GDP annually until the MTO is reached and use possible windfall revenues to accelerate the fiscal consolidation.	**Overall, Hungary has partially implemented the 2011 CSRs.** The government has achieved considerable progress regarding the implementation of the consolidation and structural reform measures included in the 2011 convergence programme and further saving measures adopted as part o the 2012 budget. Whereas no effort was made to avoid the structural deterioration in 2011the fiscal adjustment is assessed to be sufficient to attain the official 2012 deficit target thanks to a structural improvement of over 2% of GDP. For 2013, the 2012 Spring Forecast projects a deficit of 2.9% of GDP, which could even be somewhat better based on most recent information.	1. **Correct the excessive deficit** by 2012 in a durable manner, by implementing the 2012 budget and the subsequently approved consolidation measures, while reducing the reliance on one-off measures. Thereafter, specify all structural measures necessary to ensure a durable correction of the excessive deficit and to make sufficient progress towards the MTO, including meeting the expenditure benchmark, and ensure sufficient progress towards compliance with the **debt reduction** benchmark. Also to help mitigate the accumulated macroeconomic imbalances, put the public debt ratio on a firm downward path.
	2. Adopt and implement regulations specifying the operational aspects of the new constitutional **fiscal governance framework**, including, inter alia, the **numerical rules** that will be implemented at the central and local level until the debt ratio has declined to below 50 % of	New regulations have been adopted related to the operationalisation aspects of the new constitutional fiscal governance framework but some weaknesses pertaining to its design features can be identified. The analytical remit and the necessary resources	2. Revise the cardinal law on economic stability by putting the new **numerical rules** into a binding medium-term budgetary framework. Continue to broaden the analytical remit of the **Fiscal Council**, with a view to increasing the transparency of public finances.

	GDP. Regarding the fiscal framework, implement and strengthen multiannual fiscal planning, improve the transparency of public finances and broaden the remit of the **Fiscal Council.**	of the Fiscal Council are not commensurate to its newly granted strong veto power.	
	3. Enhance **participation in the labour market** by alleviating the impact of the tax reform on low earners in a budget-neutral manner. Strengthen measures to encourage women's participation in the labour market by expanding childcare and pre- school facilities.	The policy responses have only been partially relevant to the extent that the instruments chosen to address the impact of the tax reform on low earners have been suboptimal, while the measures to strengthen women's participation in the labour market are too limited, thus constitute a very small step in the right direction. The policy instruments cannot be considered ambitious.	3. Make the **taxation of labour** more employment-friendly by alleviating the impact of the 2011 and 2012 tax changes on low earners in a sustainable, budget-neutral manner, for example by shifting part of the tax burden to energy taxes and recurrent taxes on property. Strengthen measures to encourage women's **participation in the labour market**, particularly by expanding childcare and pre-school facilities.
	4. Take steps to strengthen the capacity of the **Public Employment Service** and other providers to increase the quality and effectiveness of training, job search assistance and individualised services. Reinforce active labour market measures delivering positive evidence-based results. In consultation with stakeholders, introduce tailor-made programmes, for the low-skilled and other particularly disadvantaged groups.	There has been no progress towards meeting the recommendation regarding the Public Employment Service. Some of the measures aiming to provide tailor-made services for disadvantaged groups are relevant (the ESF programmes), others are ambitious insofar as the activation of some disadvantaged groups is concerned, but unlikely to be effective in improving the placement of participants in the open job market (public works).	4. Strengthen the capacity of the **Public Employment Service** to increase the quality and effectiveness of training, job search assistance and individualised services, with particular regard for disadvantaged groups. Strengthen the activation element in the public work scheme through effective training and job search assistance. Implement the National Social (Roma) Inclusion Strategy, and mainstream it with other policies.
	5. Improve the **business environment** by implementing all the measures envisaged for regulatory reform and lowering administrative burdens in the national reform programme; assess the effectiveness of current SME support policies and adjust public programmes in order	In general, apart from the tax area, the envisaged measures are relevant and go in the right direction. The very comprehensive public consultation procedure prior adopting the program also reflects good practice. Progress towards meeting this part of the fifth 2011 CSR,	5. Implement measures envisaged to reduce the **administrative burden**. Ensure that public procurement and the legislative process support market competition and ensure a stable regulatory and **business-friendly environment** for financial and non-financial enterprises,

	to improve access to non-bank funding.	therefore, has been encouraging although not uniformly. Efforts to improve access to non-bank funding have been relevant, but they lack in ambition compared to the current scope of the problem, in the context of contracting credit to the corporate sector.	including foreign direct investors. Reduce tax compliance costs and establish a stable, lawful and non-distortive framework for corporate taxation. Remove unjustifiable restrictions on the establishment of large-scale retail premises. Provide specific well-targeted incentive schemes to support innovative SMEs in the new innovation strategy.
			6. Prepare and implement a **national strategy on early school-leaving** by ensuring adequate financing. Ensure that the implementation of the **higher education reform** improves access to education for disadvantaged groups.
			7. Reform the **public transport system** to make it more cost efficient. Increase the cross-border capacities of the electricity network, ensure the independence of the **energy regulator** and gradually abolish regulated energy prices.

MT	[Country Specific Recommendations 2011](#)	Assessment of implementation of CSR 2011	[Country Specific Recommendations 2012](#)
	1. Ensure **correction of the excessive deficit** in 2011, in line with the EDP recommendations, standing ready to take additional measures so as to prevent possible slippages, and adopt concrete measures to back up the 2012 deficit target. **Bring the high public debt ratio on a downward path** and ensure adequate progress towards the MTO. With a view to strengthening the credibility of the medium-term consolidation strategy, define the required broad measures from 2013 onwards, embed the fiscal targets in a binding, rule-based multi-annual fiscal framework and improve the monitoring of budgetary execution.	**The 2011 CSRs has been partially implemented by Malta.** The deficit is reported to have been below 3% of GDP in 2011 and the 2012 target is fully underpinned by measures but the broad measures underpinning the strategy from 2013 onwards are not all outlined in the programme. No improvements were made to the budgetary framework but the political debate has started.	1. Reinforce the **budgetary strategy** in 2012 with additional permanent measures so as to ensure adequate progress towards the MTO and keep the **deficit** below 3 % of GDP without recourse to one-offs. Continue fiscal consolidation at an appropriate pace thereafter, so as to make sufficient progress towards the MTO, including meeting the expenditure benchmark, and towards compliance with the **debt reduction** benchmark, by specifying the concrete measures to back up the deficit targets from 2013, while standing ready to take additional measures in case of slippages. Implement, by end-2012 at the latest, a binding, rule-based multi-annual fiscal framework. Increase **tax** compliance and fight tax evasion, and reduce incentives towards indebtedness in corporate taxation.
	2. Take action to ensure the sustainability of the **pension system** such as by accelerating the progressive increase in the **retirement age** and by linking it to life expectancy. Accompany the higher statutory retirement age with a comprehensive active ageing strategy, discourage the use of early retirement schemes and encourage private pension savings.	The CSR has not been implemented. The government has still not announced its position on the proposals for pension reform submitted by an independent Pensions Working Group in December 2010. In addition, there is still no comprehensive active ageing strategy in place.	2. Take action, without further delay, to ensure the long-term sustainability of the **pension system**, comprising an increase in the effective retirement age, including through a significant acceleration of the progressive increase in the statutory **retirement** age compared to current legislation and through a clear link between the statutory retirement age and life expectancy, and

			measures to encourage private pension savings. Take measures to increase the participation of older workers in the labour force and discourage the use of early retirement schemes.
	3. Focus **education** outcomes more on **labour market** needs, notably by making additional efforts to improve access to higher education and by strengthening the effectiveness of the vocational training system. Take further measures to reduce **early school-leaving** by identifying, analysing and measuring its causes by 2012 and by setting up a regular monitoring and reporting mechanism on the success rate of the measures.	The CSR has been partially implemented. The policy response has been adequate only in the areas of tertiary educational attainment and vocational training. The challenge of early school leaving has still to be adequately addressed.	3. Take steps to reduce the high rate of **early school leaving.** Pursue policy efforts in the **education system** to match the skills required by the **labour market**. Enhance the provision and affordability of more childcare and out-of-school centres, with the aim of reducing the gender employment gap.
	4. Review and take the necessary steps to reform, in consultation with social partners and in accordance with national practices, the **system of wage bargaining and wage indexation** to ensure that wage growth better reflects developments in labour productivity and competitiveness.	The CSR has not been implemented yet. The government has undertaken a study of the impact of the wage indexation mechanism, but the results are not available yet.	4. Take the necessary further steps to reform, in consultation with social partners and in accordance with national practices, the **system of wage bargaining and wage indexation,** so as to better reflect developments in labour productivity and reduce the impact of prices of imports on the index.
	5. Strengthen efforts to reduce **Malta's dependence on imported oil,** by bringing forward investments in renewable energies and making full use of available EU funds to upgrade infrastructure and promote energy efficiency.	The CSR has been partially implemented. The government has taken relevant and ambitious measures to promote the use of energy from renewable sources and improve energy efficiency but their impact cannot be assessed at this stage because they are still in an early phase of implementation.	5. In order to reduce **Malta's dependence on imported oil**, step up efforts to promote energy efficiency and increase the share of energy produced from renewable sources by carefully monitoring the existing incentivising mechanisms and by prioritising the further development of infrastructure, including by completing the electricity link with Sicily.

			6. To strengthen the **banking sector**, take measures to mitigate potential risks arising from the large exposure to the real estate market. Take measures to further strengthen the provisions for loan impairment losses.

NL	Country Specific Recommendations 2011	Assessment of implementation of CSR 2011	Country Specific Recommendations 2012
	1. Implement the **budgetary strategy** for the year 2012, in line with the Council recommendations on **correcting the excessive deficit**, **setting the high public debt ratio on a downward path**. Thereafter, progress towards the medium- term objective in line with the Stability and Growth Pact requirements, respecting the overall spending ceilings and consolidation requirements, thereby ensuring that consolidation is sustainable and growth-friendly, by protecting expenditure in areas directly relevant for growth such as research and innovation, education and training.	**Overall, the Netherlands has partially implemented the 2011 CSRs.** **The government has broadly adhered to the first element**, as expenditure targets have been broadly met in absolute levels. However, expenditure plans for 2012 and 2013 contain several cuts in areas directly relevant for growth, notably fundamental research and education. Progress towards the medium-term objective also does not appear to be secured.	1. Ensure timely and durable **correction of the excessive deficit**. To this end, fully implement the **budgetary strategy** for 2012 as envisaged. Specify the measures necessary to ensure implementation of the 2013 budget with a view to ensuring the structural adjustment effort specified in the Council recommendations under the excessive deficit procedure. Thereafter, ensure an adequate structural adjustment effort to make sufficient progress towards the MTO, including meeting the expenditure benchmark, and ensure sufficient progress towards compliance with the **debt reduction** benchmark whilst protecting expenditure in areas directly relevant for growth such as research and innovation, education and training. To this end, **after the formation of a new Government, submit an update of the 2012 Stability Programme** with substantiated targets and measures for the period beyond 2013.
	2. Take measures to increase the statutory **retirement age** by linking it to life expectancy, and underpin these measures with others to raise the effective retirement age and to improve the long-term sustainability of public finances. Prepare a blueprint for reforming	**The Netherlands has implemented this CSR only partially.** The government reached an agreement to raise the statutory retirement age in steps to 66 in 2019, to 67 in 2024 and to link it to life expectancy afterwards, but this has not yet been	2. Take measures to increase the statutory **retirement age**, including linking it to life expectancy, and underpin these with labour market measures to support raising the effective retirement age, whilst improving the long-term sustainability of public finances. Adjust the

	long-term care in view of an ageing population.	matched by an agreement among social partners on the reform of the second pillar. With regard to long-term care, the Dutch government has provided a blueprint for an ambitious reform, although the measures are not fully specified and implementation has so far been only partial.	second **pension pillar** to mirror the increase in the statutory retirement age, while ensuring an appropriate intra- and inter-generational division of costs and risks. Implement the planned reform in **long-term care** and complement it with further measures to contain the increase in costs, in view of an ageing population.
	3. Enhance **participation in the labour market** by reducing fiscal disincentives for second-income earners to work and draw up measures to support the most vulnerable groups and help them to re-integrate within the labour market.	**The Netherlands has implemented this CSR only partially:** With respect to reducing fiscal disincentives for second-income earners, the policy response is effective but could have been speeded up. The most significant measure concerning vulnerable groups is the intended reform of the social assistance schemes (introduction of the Work Capacity Act). The act is expected to come into force on 1 January 2013.	3. Enhance **participation in the labour market**, particularly of older people, women, and people with disabilities and migrants, including by further reducing tax disincentives for second-income earners, fostering labour market transitions, and addressing rigidities.
	4. Promote **innovation**, private **R&D** investment and closer science-business links by providing suitable incentives in the context of the new enterprise policy (‘Naar de top’).	Although the measures taken so far under this policy are relevant, it is too early to judge whether they are effective in addressing the challenge.	4. Promote **innovation,** private **R&D** investment and closer science-business links, as well as foster industrial renewal by providing suitable incentives in the context of the enterprise policy, while safeguarding accessibility beyond the strict definition of top sectors and preserving fundamental research.
			5. Take steps to gradually reform the **housing market**, including by: (i) modifying the favourable tax treatment of home ownership, including by phasing out mortgage interest deductibility and/or through the system of

			imputed rents, (ii) providing for a more market-oriented pricing mechanism in the rental market, and (iii) for social housing, aligning rents with household income.

AT	[Country Specific Recommendations 2011]()	**Assessment of implementation of CSRs 2011**	[Country Specific Recommendations 2012]()
	1. Accelerate the correction of the excessive deficit, which is planned mainly on the expenditure side, thus bringing the high public debt ratio on a downward path, taking advantage of the ongoing economic recovery, in order to ensure an average annual fiscal effort of 0,75 % of GDP over the period 2011-2013 in line with the Council recommendations under the EDP. To this end, adopt and implement the necessary measures, including at the subnational level. Specify measures as needed to ensure adequate progress towards the medium-term objective in line with the Stability and Growth Pact (SGP) after correction of the excessive deficit.	**Austria has partially implemented 2011 CSRs.** Although Austria is on a good path to reduce the fiscal deficit to below 3% by 2013, the annual average fiscal effort of 0,75 % of GDP over the period 2011-2013 in line with the Council recommendations under the EDP has not been delivered.	1. Implement the 2012 budget as envisaged and reinforce and rigorously implement the budgetary strategy for the year 2013 and beyond; sufficiently specify measures (in particular at the sub-national level), to ensure a timely correction of the excessive deficit and the achievement of the average annual structural adjustment effort specified in the Council Recommendations under the EDP. Thereafter, ensure an adequate structural adjustment effort to make sufficient progress towards the MTO, including meeting the expenditure benchmark.
	2. Take steps to further strengthen the national budgetary framework by aligning legislative, administrative, revenue- raising and spending responsibilities across the different levels of government, in particular in the area of health care.	Although the consolidation package to strengthen budgetary framework has been adopted, operational details need to be agreed by federal and regional governments in order to implement it; especially the reorganisation of health care sector financing expected to save 0.2% GDP by 2016.	2. Take further steps to strengthen the national budgetary framework by aligning responsibilities across the federal, regional and local levels of government, in particular by implementing concrete reforms aimed at improving the organisation, financing and efficiency of healthcare and education.
	3. In consultation with the social partners and according to national practices, take steps to	While reforms to invalidity pension schemes have been implemented, the rest of the reforms	3. Bring forward the harmonisation of the statutory retirement age between men and

	further limit access to the current early retirement scheme for people with long insurance periods and take steps to reduce the transition period for harmonisation of the statutory retirement age between men and women to ensure the sustainability and adequacy of the pension system. Apply strictly the conditions for access to the invalidity pension scheme.	called for in 2011 have not been tackled.	women; enhance older workers' employability and monitor closely the implementation of the recent reforms restricting access to early exit channels in order to ensure that the effective retirement age is rising including through linking the statutory retirement age to life expectancy.
	4. Take measures to enhance participation in the labour market, including the following: reduce, in a budgetary neutral way, the effective tax and social security burden on labour, especially for low- and medium-income earners; implement the National Action Plan on the equal treatment of women and men in the labour market, including improvements in the availability of care services and of all-day school places to increase the options for women to work full-time and in the high gender pay gap; take steps to improve educational outcomes and prevent school drop-out.	There were limited steps taken to reduce high gender pay gap and provide for more care services for dependants, however not sufficient. The shift towards real estate and environmental tax has not been implemented, moreover, consolidation package for national budget is increasing tax burden on labour for some groups. As to education, 2012 CSR have a specific recommendation as to disadvantage youth and higher education drop outs, but the early school leaving Europe 2020 target has been achieved, however a big gap between migrants and natives still persists. With 75.2% employment rate for people 20-64 years of age in 2011, Austria has made good progress in towards achieving its 2020 employment target rate of 77-78%.	4. Take steps to reduce the effective tax and social security burden on labour especially for low income earners with a view to increasing employment rates for older persons and women given the need to counteract the impact of demographic change on the working population. Shift the tax burden in a budgetary neutral way, towards real estate taxes, and environmental taxes. Reduce the high gender pay gap and enhance full-time employment opportunities for women, in particular through the provision of additional care services for dependants.
	5. Take further steps to foster competition, in particular in the services sectors, by relaxing	Services Directive has been transposed. However, lack of progress on market entry and	5. Continue to implement measures to improve educational outcomes, especially of

	barriers to entry, removing unjustified restrictions on some professions, as well as enhancing the powers of the competition authority. Accelerate the adoption of the outstanding ‘horizontal law’ implementing the Services Directive.	other restrictions.	disadvantaged young people. Take measures to reduce drop-outs from higher education.
		New recommendation. Capital transfers due to government participation in struggling banks reached 0.6% of GDP in 2012, having impact on the expenditure side.	6. Take further steps to foster competition, in the services sectors, by removing barriers to market entry in the communications, transport and energy retail markets. Where unjustified restrictions on access to liberal professions exist, they should be removed. Enhance the powers of the federal competition authority and speed up the implementation of the competition law reform.
			7. Further restructure and continue to monitor those banks that benefited from public support, while avoiding excessive deleveraging. Further improve the cooperation and coordination of national policy decisions with financial sector supervisors in other countries.

PL	[Country Specific Recommendations 2011]()	Assessment of implementation of CSR 2011	[Country Specific Recommendations 2012]()
	1. Implement the measures announced in the draft 2012 Budget Law and take additional measures of a permanent nature if needed to **reduce the general government deficit** to below 3 % of GDP in 2012, in line with the Council recommendations under the EDP. While ensuring adequate progress towards the medium-term objective, minimise cuts in growth-enhancing expenditure in the future.	**Poland has partially implemented the CSR.** Poland has managed to reduce its general government deficit close to the recommended 3 % threshold in 2012 (, while further consolidation effort is required to ensure adequate progress towards the MTO. In this regard, plans provided lack ambition and are not clear enough.	1. Ensure planned progress towards the **correction of the excessive deficit**. To this end, fully implement the budget for the year 2012 and achieve the structural adjustment effort specified in the Council recommendations under the EDP. Thereafter, specify the measures necessary to ensure implementation of the **budgetary strategy** for the year 2013 and beyond as envisaged, ensuring an adequate structural adjustment effort to make sufficient progress towards the MTO, including meeting the expenditure benchmark. Minimise cuts in growth-enhancing expenditure in the future and improve tax compliance.
	2. Enact legislation with a view to introducing a **permanent expenditure rule** by 2013. This rule should be based on sufficiently broad budgetary aggregates and should be consistent with the European system of accounts. Moreover, take measures to strengthen the **mechanisms of coordination among the different levels of government** in the medium-term and annual budgetary processes.	**Poland has not implemented the CSR.** All measures covered by this recommendation, the expenditure rule, the consistency with ESA 95 as well as the deficit rule for local governments have not yet advanced beyond the negotiation stage.	2. Speed up the reform of the fiscal framework by enacting legislation with a view to introducing a **permanent expenditure rule** by 2013. This rule should be consistent with the ESA. Take measures to strengthen the **mechanisms of coordination among the different levels of government** in the medium-term and annual budgetary processes.
	3. Raise as planned the statutory **retirement age** for uniformed services, continue steps to	**Poland has partially implemented the CSR.** While efforts have been undertaken to limit	4. Reinforce efforts to increase the **labour market participation of women** and raise

	increase the effective retirement age, such as linking it to life expectancy. Establish a timetable to further improve the rules for farmers' contributions to the **social security fund (KRUS)** to better reflect individual incomes.	favourable retirement conditions for uniformed services and an increase in the general retirement age for men and women is planned, these measures should have been more ambitious, The time span over which the retirement age for women is to be raised is overly long (until 2040).	enrolment rates of children in both early childcare and pre-school education, by ensuring stable funding and investment in public infrastructure, the provision of qualified staff, and affordable access. Tackle entrenched practices of early **retirement** to increase exit ages from the labour market. Phase out the special pension scheme for miners with a view to integrating them into the general scheme. Take more ambitious, permanent steps to reform the **KRUS** to better reflect individual incomes.
	4. Implement the proposed **lifelong learning strategy**, enhance apprenticeships and dedicated vocational training and education programmes for older workers and low-skilled workers. Strengthen links between science and industry by implementing the 'We build on Knowledge' programme ('Budujemy na Wiedzy'). Implement the higher **education** reform programme 'Partnership for Knowledge' ('Partnerstwo dla Wiedzy') so as to better align educational provision with labour market needs.	**Poland has partially implemented the CSR**. Poland has introduced several reforms in the areas of education, training and lifelong learning, which are all relevant to tackle the challenges identified in the CSR. There needs to be more effort to reduce the skills mismatch, and more cooperation between companies and higher education institutions and between science and industry.	3. To reduce **youth unemployment**, increase the availability of apprenticeships and work-based learning, improve the quality of vocational training and adopt the proposed **lifelong learning strategy**. Better match **education** outcomes with the needs of the labour market and improve the quality of teaching. To combat **labour market segmentation** and in-work poverty, limit excessive use of civil law contracts and extend the probationary period to permanent contracts.
	5. Increase **female labour market participation** by taking measures to ensure stable funding for pre-school child-care arrangements, to increase enrolment rates of children under three years.	**Poland has partially implemented the CSR.** Raising the number of places in child care institutions by 4500 seems insufficient to increase the female labour participation rate significantly. Moreover, funds for pre-school child-care institutions are reduced in the 2012 budget.	4. Reinforce efforts to increase the **labour market participation of women** and raise enrolment rates of children in both early childcare and pre-school education, by ensuring stable funding and investment in public infrastructure, the provision of qualified staff, and affordable access. Tackle entrenched practices of early **retirement** to increase exit

			ages from the labour market. Phase out the special pension scheme for miners with a view to integrating them into the general scheme. Take more ambitious, permanent steps to reform the **KRUS** to better reflect individual incomes.
	6. Take measures to improve incentives for **investment in energy generation capacity** with a view to encouraging low-carbon emitting technologies, and to further develop **cross-border electricity grid interconnections**; develop a multiannual plan for **investment in railway infrastructure** and implement the rail transport master plan.	**Poland has partially implemented the CSR**. Some progress has been made in relation to the diversification of energy supply, but progress is limited in transportation, i.e. rail and implementation of the transport master plan.	6. Step up efforts to improve incentives for **investment in energy generation capacity** and energy efficiency in the whole energy chain, speed up the development of the **electricity grid, including cross-border interconnections**, eliminate obstacles in electricity cross border exchange, and strengthen **competition in the gas sector** by phasing out regulated prices and by creating a gas trading platform. Strengthen the role and resources of the railway market regulator and ensure effective and swift implementation of **railway investment** projects. Reduce restrictions on professional services and simplify contract enforcement and requirements for construction permits.
	7. Take steps to simplify **legal procedures** involved in enforcing contracts; revise construction and zoning legislation, with a view to streamlining appeal procedures and speeding up administrative procedures.	**Poland has partially implemented the CSR.** Despite recent efforts, the administrative burden remains high and administrative efficiency could be improved. Only minor reforms have been introduced, which are not expected to have an impact sufficient to address the challenges.	
			5. Take additional measures to ensure an **innovation-friendly business environment**, by ensuring better links between research,

			innovation and industry, and by establishing common priority areas and instruments supporting the whole innovation cycle; improve access to finance for research and innovation activities through guarantees and bridge financing.

PT	Country Specific Recommendations 2011	Assessment of implementation of CSRs 2011	Country Specific Recommendations 2012
	Implement the measures as laid down in Implementing Decision 2011/344/EU and further specified in the Memorandum of Understanding of 17 May 2011 and its subsequent supplements.	In its fourth review of July 2012, the IMF concluded that the **Portuguese program is on track and that the necessary adjustments to correct the macroeconomic imbalances are underway.** Fiscal targets remain within reach, although risks to their attainment have risen, particularly on tax revenues. The shortfall in revenue does not relate to economic activity, which has been stronger than expected, but mainly to composition effects and stronger decline in employment, despite declining unit labour costs since 2010. According to the CSR Commission Staff Document of 2012 structural reforms in labour and product markets with a view to reducing labour cost still need to be implemented by increasing flexibility, lowering entry barriers and tackling profiteering. On the positive side, the IMF noted that a stronger-than-expected decline in domestic demand was more than compensated by a higher contribution of exports to growth, which led to a faster correction of the external imbalance. The export growth has been accompanied by a	Implement the measures as laid down in Implementing Decision 2011/344/EU and further specified in the Memorandum of Understanding of 17 May 2011 and its subsequent supplements.

		diversification of export markets. The deleveraging process of the private sector has continued at a faster pace than initially foreseen, and the banking system is in a better position today to support financing to the dynamic sectors of the economy. Unfortunately, recent deterioration of the European and global economic prospects could substantially change the outlook for the rest of the year, in particular when taking into account Portugal's strong exposure to Spain.	

RO	[Country Specific Recommendations 2011]()	**Assessment of implementation of CSR 2011**	[Country Specific Recommendations 2012]()
	Implement the measures laid down in Decision 2009/459/EC as amended by Decision 2010/183/EU, together with the measures laid down in Decision 2011/288/EU and further specified in the Memorandum of Understanding of 23 June 2009 and its subsequent supplements, and in the Memorandum of Understanding of 29 June 2011 and its subsequent supplements.	Romania has been granted by the EU and the IMF pre-cautionary financial assistance, which amounts to €5bn. The financial assistance programme lasts for two years from 2011 to 2013. Thus far, no request was made by the Romanian authorities for disbursement from the €5bn. According to the sixth review of IMF, EC and WB, which took place in the beginning of August 2012, **Romania's policy implementation remains broadly on track, despite challenging conditions.** **Real growth** is projected at around 1 percent in 2012 and 2½ percent in 2013. The subdued economic activity is mainly due to heightened political uncertainty and the slowdown in the euro area. **Inflation** is expected to remain within the target band. **Banks** remain vulnerable to adverse developments in the euro area but maintain reassuring capital buffers, while loan-loss provisions are adequate. The June **fiscal deficit** target was met and the ambitious objective for the year as a whole (below 3 percent of GDP in accrual terms) is	Implement the measures laid down in Decision 2009/459/EC, as amended by Decision 2010/183/EU, together with the measures laid down in Decision 2011/288/EU and further specified in the Memorandum of Understanding of 23 June 2009 and its subsequent supplements, and in the Memorandum of Understanding of 29 June 2011 and its subsequent supplements.

		achievable but will require continued spending restraint. For 2013, the authorities will face difficult trade-offs in achieving a further consolidation of at least 0.5 percent of GDP. Political determination is needed to ensure that overdue **structural reforms** for instance in the area of energy, health care and state-owned enterprises will be put in place.	

SI	[Country Specific Recommendations 2011](#)	Assessment of implementation of CSRs 2011	[Country Specific Recommendations 2012](#)
	1. Achieve the 2011 deficit target, underpin the 2012 deficit target with concrete measures and implement the necessary consolidation rigorously, standing ready to adopt additional measures to prevent possible slippages. Underpin this required adjustment process over the programme period with additional measures to ensure the average annual fiscal effort in line with the Council recommendations under the EDP and adequate progress towards an appropriate medium-term objective. To this purpose, use structural measures to contain expenditure and address identified inefficiencies and implement a more binding medium-term budgetary framework. Accelerate the reduction of the deficit if economic or budgetary conditions turn out better than currently expected.	**Most of the CSRs 2011 have not been implemented.** 2011 deficit target was not achieved, and there is also no appropriate MTO for budgetary position.	1. Implement the 2012 budget, and reinforce the budgetary strategy for 2013 with sufficiently specified structural measures, standing ready to take additional measures so as to ensure a correction of the excessive deficit in a sustainable manner by 2013 and the achievement of the structural adjustment effort specified in the Council recommendations under the excessive deficit procedure. Thereafter, ensure an adequate structural adjustment effort to make sufficient progress towards an appropriate MTO for the budgetary position, including meeting the expenditure benchmark. Strengthen the medium-term budgetary framework, including the expenditure rule, by making it more binding and transparent.
	2. Take the required steps to ensure the long-term sustainability of the pension system, while preserving the adequacy of pensions. Increase the employment rate of older workers through later retirement, and by further developing active	Slovenia has not implemented policy measures for older workers. There remain too many early retirements, with need for a new effective retirement age and new	2. Take urgent steps to ensure the long-term sustainability of the pension system, while preserving the adequacy of pensions, by: (i) equalising the statutory retirement age for men and women; (ii) ensuring an increase in

	labour market policies and lifelong learning measures.	indexation system for pensions.	the effective retirement age, including through linking the statutory retirement age to life expectancy; (iii) reducing early retirement possibilities; and (iv) reviewing the indexation system for pensions. Increase the employment rate of older workers also by further developing active labour market policies and lifelong learning measures.
	3. Take further measures in the banking sector, where appropriate, to strengthen the balance sheets and the loan portfolio, with a view of enhancing the flow of credit to the real economy.	The banks remain undercapitalised.	3. Take the required steps to build sufficient capital buffers in the banking sector and strongly promote the cleaning of balance sheets so that appropriate lending to productive activities can resume. Obtain fully-fledged third party verification of systemically important banks' stress loan-loss estimates.
	4. Take steps, in consultation with the social partners and in accordance with national practices, to reduce asymmetries in rights and obligations guaranteed under permanent and temporary contracts. Renew efforts to tackle the parallel labour market resulting from 'student work'.	Although higher charges for parallel labour market of student work have been introduced, this issue needs to be tackled further. Permanent and temporary contracts have also not been aligned as recommended.	4. Adjust employment protection legislation as regards permanent contracts in order to reduce labour market segmentation, in consultation with social partners and in accordance with national practices. Further tackle the parallel labour market caused by student work.
	5. Set up a system to forecast skills and competencies needed to achieve a responsive labour market. Evaluate the effectiveness of the public employment service, notably on career guidance and counselling services, to improve	Education and training system remain insufficiently responsive to labour market demands.	5. Improve the matching of skills with labour market demand, particularly of low-skilled workers and tertiary graduates, and continue reforms of vocational education

	the matching of skills with labour market needs.		and training.
	6. Streamline regulated professions and improve the administrative capacity of the Competition Protection Office, in order to enhance the business environment and attract investment.	Slovenia has not undertaken any reform on regulated professions and competition protection office remains unreformed.	6. Take further steps to strengthen market opening and speed up the reorganisation of professional services. Improve the business environment through: (i) implementing the reform of the Competition Protection Office, (ii) establishing a framework for state-owned enterprises guaranteeing arms-length management and high standards of corporate governance, and (iii) improving bankruptcy procedures, in particular in terms of timeliness and efficiency.
		New recommendation.	7. Following consultation with social partners and in accordance with national practice, ensure that wage growth, including minimum wage adaptation, supports competitiveness and job creation.

SK	[Country Specific Recommendation 2011]()	Assessment of implementation of CSRs 2011	[Country Specific Recommendations 2012]()
	1. Rigorously implement both the 2011 budget as envisaged and the planned specific measures of a permanent nature in 2012 and 2013, to reduce the deficit below 3 % of GDP by 2013 in line with Council recommendations on correcting the excessive deficit and ensure adequate progress towards the medium-term objective. Subject to this, safeguard growth-enhancing expenditure, and use available room to increase revenue through environmental and property taxes and by increasing the efficiency of VAT collection.	**Slovakia has partially implemented 2011 CSRs.** Although the deficit was significantly reduced, Slovakia still needs to continue with efforts in line with EDP. Tax compliance and VAT collections need to be strengthened and further action taken on increase of real estate and environmental taxation.	1. Take additional measures in 2012 and specify the necessary measures in 2013, to correct the excessive deficit in a sustainable manner and ensure the structural adjustment effort specified in the Council recommendations under the excessive deficit procedure. Implement targeted spending cuts, while safeguarding growth-enhancing expenditure, and step up efforts to improve the efficiency of public spending. Thereafter, ensure an adequate structural adjustment effort to make sufficient progress towards the MTO, including meeting the expenditure benchmark. Accelerate the setting up of the Fiscal Council and adopt rules on expenditure ceilings.
	2. Strengthen fiscal governance by adopting in 2011 and implementing from 2012 binding multi-annual expenditure ceilings, covering the central government and the social security system. In addition, introduce an independent Fiscal Council and ensure timely publication of budgetary data at all levels of the government.	Expenditure ceilings still need to be addressed as do systematic publication of budgetary data.	2. Increase tax compliance, in particular by improving the efficiency of VAT collection; reduce distortions in taxation of labour across different employment types, also by limiting tax deductions; link real estate taxation to the market value of property; make greater use of environmental taxation.
	3. Enhance the long-term sustainability of public	Adjustments of pay-as-you-go pillar have not	3. Further adjust the pay-as-you-go pension

	finances by further adjusting the pay-as-you-go pillar of the pension system also by changing the indexation mechanism and implement further measures with a view to raising the effective retirement age, in particular by linking the pensionable age to life expectancy. Introduce incentives to ensure the viability of the fully-funded pension pillar so as to progress towards fiscal sustainability while assuring adequate pensions.	been carried out.	pillar, mainly by changing the indexation mechanism, introducing a direct link between the statutory retirement age and life expectancy and introducing a sustainability factor in the pension calculation formula reflecting demographic change. Ensure the stability and viability also of the fully funded pillar.
	4. Take steps to increase employment and to support labour demand for the low-skilled unemployed by reducing the tax wedge for low-paid workers. In addition, introduce measures to improve the administrative capacity of public employment services with a view to improving targeting, design and evaluation of active labour market policies, especially for the young and long-term unemployed.	There has been no change to active labour market policy and no reduction on tax wedge for low paid workers.	4. Enhance the administrative capacity of public employment services with a view to improving the targeting, design and evaluation of active labour market policies to ensure more individualised employment services for the young, the long-term unemployed, older workers and women. Ensure the provision of childcare facilities. Reduce the tax wedge for low-paid workers and adapt the benefit system.
	5. Speed up the implementation of planned general education, vocational education and training reforms and take steps to improve the quality of higher education and its relevance to market needs. Develop a framework of incentives for both individuals and employers to encourage participation of the low-skilled in lifelong learning.	There were no changes in vocational training and education or lifelong learning, but some measured for adjusting higher education to the labour market needs.	5. Adopt and implement the youth action plan, in particular as regards the quality and labour market relevance of education and vocational training, including through the introduction of an apprenticeship scheme. Improve the quality of higher education by strengthening quality assurance and result orientation.

		Access to schooling for vulnerable groups addressed in 2012, but not 2011.	6. Take active measures to improve access to and quality of schooling and pre-school education of vulnerable groups, including Roma. Ensure labour market reintegration of adults through activation measures and targeted employment services, second-chance education and short-cycle vocational training.
	6. Ensure the implementation of planned measures aimed at a more effective application of public procurement rules, a higher performance and transparency of the judicial system.	Effective application of measures tackling judicial proceedings and public procurement needs to be assured. Quality of public service was not addressed in 2011, but in 2012.	7. Strengthen the quality of the public service, including by improving management of human resources and strengthening analytical capacities. Further shorten the length of judicial proceedings and strengthen the role of the Public Procurement office as an independent body.

FI	[Country Specific Recommendations 2011]()	Assessment of implementation of CSRs 2011	[Country Specific Recommendations 2012]()
	1. Continue the fiscal consolidation using any windfall revenue to reduce the deficit, while taking additional measures to maintain the fiscal position above the medium-term objective, in particular through compliance with the medium-term expenditure benchmark.	**Finland has partially implemented the 2011 CSRs.** In the field of public finance, the recommendations have been implemented. For nominal central government expenditure a ceiling has been introduced aiming at average growth of 1% during 2012-16.	1. Preserve a sound fiscal position in 2012 and beyond by correcting any departure from the MTO that ensures the long-term sustainability of public finances. To this end, reinforce and rigorously implement the budgetary strategy, supported by sufficiently specified measures, for the year 2013 and beyond, including meeting the expenditure benchmark. Continue to carry out annual assessments of the size of the ageing-related sustainability gap and adjust public revenue and expenditure in accordance with the long-term objectives and needs. Integrate the local government sector better in the system of multi-annual fiscal framework including through measures to control expenditure.
	2. Take further measures to achieve productivity gains and cost savings in public service provision, including structural changes, in order to respond to the challenges arising from population ageing.	Public productivity programme is on the way with targets for 2015.	2. Take further measures to achieve productivity gains and cost savings in public service provision, including structural changes and efficiency-enhancing territorial administrative reforms, also in order to respond to the challenges arising from an ageing population.

	3. Target active labour market measures better on the long- term unemployed and young people. 4. Take measures to improve the employability of older workers and their participation in lifelong learning. Take further steps, in consultation with social partners and in accordance with national practices, to encourage older workers to stay in the labour market, by measures to reduce early exit and increase the effective retirement age. In view of the already existing system of linking pension benefits to life expectancy, consider a link between the statutory retirement age and life expectancy.	The employment rate has declined since its peak in 2008 and Finland has not achieved its Europe 2020 78% employment target rate. However, the early school leaving rate and tertiary education target are both well above EU average. As of 2013 all young people under 25 and all recent graduates under 30 will be provided with a job or training, workshop, rehabilitation or study placement, no later than 3 months into unemployment. As to long term unemployed, individual employment support will be transferred to municipalities after 12 months of unemployment, where progress will be actively monitored and individually assessed. Pension reform is to be carried out by 2017, with increase in effective retirement age by 2025. However, pension reforms should be supplemented by up-skilling of older workers.	3. Implement the ongoing measures to improve the labour market position of young people and the long-term unemployed, with a particular focus on skills development. Take further steps to improve the employment rate of older workers, including by reducing early exit pathways. Take measures to increase the effective retirement age taking into account the improved life expectancy.
	5. Take further measures to open up further the service sector, by redesigning the regulatory framework and removing restrictions in order to facilitate new entry into service sector markets, especially in the retail sector.	Despite the new competition law, there are still structural barriers to competition, especially regarding entry into retail services sector.	4. Continue enhancing competition in product and service markets, especially in the retail sector, by ensuring the effective implementation of the new Competition Act and the new programme on promoting healthy competition. Continue to take measures to increase the efficiency of

			municipal service provision, including increasing, where appropriate, the share of services subject to competitive bidding, and to ensure competition neutrality between private and public undertakings. Take further steps to ensure that competition law fines have a sufficiently deterrent effect.
		New recommendation. Europe 2020 R&D target is closed to being reached; however, there is still over-dependence on the investments by one firm/sector.	5. In order to strengthen productivity growth and external competitiveness, continue efforts to diversify the business structure, in particular by hastening the introduction of planned measures to broaden the innovation base while continuing to align wage and productivity developments fully respecting the role of social partners and in line with national practices.

SE	[Country Specific Recommendations 2011](#)	Assessment of implementation of CSR 2011	[Country Specific Recommendations 2012](#)
	1. Keep fiscal policy on a path that ensures that the medium- term objective continues to be met.	**Sweden has partially implemented 2011 CSRs.** Although 2012 Budget Bill is balanced, the MTO was not achieved in 2011.	1. Preserve a sound fiscal position in 2012 and beyond by implementing the budgetary strategy as envisaged and ensuring continued achievement of the MTO.
	2. Take preventive action to deal with the macroeconomic risks associated with rising house prices and household indebtedness. A broad set of measures could be considered, such as reviews of the mortgage system, including the capital requirements of banks, rent regulation, property taxation and construction permits.	Mortgage and housing markets have stabilised. Most measures were done on financial sector resilience side, less on lending/financing side. There were some steps to ease renting regulation, more needs to be done.	2. Take further preventive measures to strengthen the stability of the housing and mortgage market in the medium term, including by fostering prudent lending, reducing the debt bias in the financing of housing investments, and tackling constraints in housing supply and rent regulations.
	3. Monitor and improve the labour market participation of young people and other vulnerable groups.	Most of the reforms are being implemented in 2012, thus impact is difficult to asses. The overall employment rate target of Europe 2020 has been achieved (80%). The same goes for early school leaving and tertiary education target.	3. Take further measures to improve the labour market participation of youth and vulnerable groups, e.g. by improving the effectiveness of active labour market measures, facilitating the transition from school to work, promoting policies to increase demand for vulnerable groups and improving the functioning of the labour market. Review the effectiveness of the current reduced VAT rate for restaurants and catering services in support of job

			creation.
		New recommendation. There was no progress towards 4% GDP spending on R&D, due to decrease in business R&D expenditure.	4. Take further measures in the upcoming research and innovation bill to continue improving the excellence in research and to focus on improving the commercialisation of innovative products and the development of new technologies.

UK	[Country Specific Recommendations 2011]	Assessment of implementation of CSR 2011	[Country Specific Recommendations 2012]
	1. Implement the planned fiscal consolidation aiming at a deficit of 6,2 % of GDP in 2012-2013, in line with Council recommendations on correcting the excessive deficit, and setting the high public debt ratio on a downward path when the excessive deficit is corrected by the end of the programme period. Ensure no slippage from the ambitious spending reduction targets, thereby strengthening long-term sustainability; and, subject to this, prioritise growth-enhancing expenditure.	**UK has partially implemented 2011 CSRs.** Although the government has implemented the 2011 recommendation on public finance, the EDP deadline (2014-15) is likely to be missed for one year due to the weakening medium term outlook for growth. The deficit remains one of the highest in the EU (8.4% in 2011-12).	1. Fully implement the budgetary strategy for the financial year 2012-13 and beyond, supported by sufficiently specified measures, to ensure a timely correction of the excessive deficit in a sustainable manner and the achievement of the structural adjustment effort specified in the Council recommendations under the EDP and to set the high public debt ratio on a sustained downward path. Subject to reinforcing the budgetary strategy for the financial year 2013-14 and beyond, prioritise growth-enhancing expenditure to avoid the risk that a further weakening of the medium-term outlook for growth will negatively impact on the long-term sustainability of public finances.
	2. Develop a programme of reform which addresses the destabilising impact of the house price cycle on public finances, the financial sector and the economy, with a view to alleviating problems of affordability and the need for state subsidy for housing. A broad set of measures and policy instruments could be considered including reforms to the mortgage market, financial regulation, property tax and the planning system in order to prevent excessive	Government housing strategy for England does not tackle the issue of taxation (regressive council tax combined with progressive transaction tax), which may also contribute to strong housing cycles. Also if the new system in line with the adopted strategy reduces prices and increases housing supply, it is still possible for the government to face lack of administrative capacity and local	2. Address the destabilising impact of high and volatile house prices and high household debt by implementing a comprehensive housing reform programme to increase housing supply and alleviate problems of affordability and the need for state subsidisation of housing. Pursue further reforms to the housing market, including the mortgage and rental markets,

	volatility.	political opposition in implementation of a more streamlined planning system.	financial regulation and property taxation to prevent excessive volatility and distortions in the housing market.
	3. Take steps by 2012 to ensure that a higher share of young people enters the labour market with adequate skills and to improve the employability of 18 to 24-year-olds who left education or training without qualifications. Address skill shortages by increasing the numbers attaining intermediate skills, in line with labour market needs.	Implementation of many programmes has just started, so it is difficult to evaluate impact. Thus youth unemployment continues to rise.	3. Continue to improve the employability of young people, in particular those not in education, employment or training, including by using the Youth Contract. Ensure that apprenticeship schemes are taken up by more young people, have a sufficient focus on advanced and higher-level skills, and involve more small and medium-sized businesses. Take measures to reduce the high proportion of young people aged 18-24 with very poor basic skills.
	4. Take measures, within current budgetary plans, to reduce the number of workless households by targeting those who are inactive because of caring responsibilities, including lone parents.	Employment rate is not on the rise. In general private sector employment has been growing modestly, but not enough to offset decrease in public sector employment. The % of population of risk of poverty and social exclusion is rising (23.1% in 2010). The government has a welfare reform agenda, but it needs to be fully implemented to bring employment benefits. Access to childcare also remains a problem.	4. Step up measures to facilitate the labour market integration of people from jobless households. Ensure that planned welfare reforms do not translate into increased child poverty. Fully implement measures aiming to facilitate access to childcare services.
	5. Implement measures already announced and continue to work to improve the availability of bank and non-bank financing to the private	Although there were some initiatives undertaken, but with limited effect (like Project Merlin lending also to public enterprises), thus net	5. Further improve the availability of bank and non-bank financing to the private sector, in particular to SMEs. Support

	sector and in particular to SMEs while recognising potential challenges on the demand side. Encourage competition within the banking sector and explore with the market ways to improve access to non- bank financing such as venture and risk capital and debt issued on public markets.	lending remained negative in 2011. Significant share of SMEs have thus remained credit constrained.	competition within the banking sector, in particular through measures to reduce barriers to entry, increase transparency and facilitate switching between banks as recommended by the Independent Commission on Banking and explore ways to improve access to venture and risk capital and other forms of non-bank lending.
		New recommendation.	6. Pursue a long-term strategy for improving the capacity and quality of the UK's network infrastructure, including measures to address pressures in transport and energy networks by promoting more efficient and robust planning and decision-making processes, and harnessing appropriate public or private financing arrangements.

Euro Area	**Council Recommendations 2011**	**Commission's assessment in Staff Working Document 2012 (Euro Plus Pact)**	**Council Recommendations 2012**
		The Commission did not assess the implementation of the 2011 recommendations to the Euro area MSs. However, it assessed progress versus the Euro Plus Pact commitments, which referred to the following four areas: fostering competitiveness, fostering employment, enhancing the sustainability of public finances and reinforcing financial stability.	**1. Strengthen the working methods of the Eurogroup** to allow it to take responsibility for the aggregate policy stance in the euro area, effectively responding to changes in the economic environment, and to lead the coordination of economic policy in the context of the strengthened surveillance framework which applies to the euro area Member States.
		The Commission stated that in 2011, Member States took up many commitments in the policy areas identified in the Pact. However, the implementation of the commitments varied considerably across the Member States and policy areas. Only a few Member States met all their commitments. In many cases the government had made the relevant legislative proposals, while the adoption of legislation was delayed, e.g. due to discussion in the national Parliament of with social partners.	**2. Intensify policy cooperation in the Eurogroup** by sharing information and discussing budgetary plans and the plans of major reforms with potential spillovers effects on the euro area. Ensure that such reforms are undertaken that are necessary for a stable and robust euro area, including the implementation of the recommendations which the Council has addressed to individual euro area Member States and which, in addition to addressing challenges at national level, have an impact on the euro area as a whole.
	1. Strictly adhere to the **budgetary targets** set out in their 2011 Stability Programmes as well as	Member States delivered on their commitments to strengthen the	**3. Strengthen fiscal discipline and fiscal institutions** at both national and sub-national

	the Memoranda of Understanding in Member States receiving EU/IMF financial assistance and, where applicable, reinforce consolidation efforts in line with the opinion delivered by the Council. In particular, ensure adequate fiscal efforts with a view to correcting excessive deficits and approaching medium-term budgetary objectives. Use any fiscal windfalls to accelerate adjustment. This should also help to **improve public debt dynamics**.	**sustainability of public finances** and put forward legislative proposals on pension systems and national fiscal rules. In many cases, however, the adoption of new legislation has been delayed and the implementation postponed. Member States that had targeted certain deficit or debt levels generally managed to meet their commitments.	levels to enhance market confidence in the medium and long-term sustainability of public finances in the euro area. Following the agreement by the euro area Heads of State or Government in July and October 2011 and on 2 March 2012, advance the transposition of Directive 2011/85/EU to the end of 2012 and strengthen **fiscal governance** further, in particular by introducing in the national legislation of all euro area Member States the rules for balanced budget in structural terms and the automatic correction mechanisms.
	2. Ensure fiscal discipline at both national and sub-national levels, notably by introducing or reinforcing sufficiently **strong and binding fiscal frameworks**. **3**. Continue to implement **reforms to social security systems** that ensure fiscal sustainability with due regard to the adequacy of pensions and social benefits, notably by aligning pension systems with the national demographic situation.		**4**. Based on the European Council Conclusions of 1-2 March 2012, **ensure a coherent aggregate fiscal stance** in the euro area by pursuing fiscal consolidation as set out in Council recommendations and decisions, in line with the rules of the Stability and Growth Pact, which take into account the country-specific macro-financial situations. Member States affected by significant and potentially rising risk premia should limit deviations from the nominal balance targets even against worse-than-expected macroeconomic conditions; other Member States should let the automatic stabilisers play along the adjustment path assessed in structural terms and stand ready to review the pace of consolidation should macroeconomic conditions deteriorate further.

			Composition of government expenditure and revenues should reflect the growth impact of spending items and revenue sources. In particular, all the available **budgetary margins should be used to foster public investment in the euro area**, including by taking into account cross-country differences in the cost of funding.
	4. Improve the functioning and stability of the **financial system**, following up immediately on the forthcoming EU-wide stress tests to ensure that the banking sector continues to strengthen its resilience to possible further losses or funding constraints and that non-viable financial institutions are able to restructure or exit the market without creating undue tensions on financial markets.	**Financial sector** reforms were somewhat mixed, with only a few Member States increasing the efficiency of the regulation and supervision of the financial sector. Member States also safeguarded financial stability by taking measures to diversify the structure of the economy.	5. Take action to improve the functioning and stability of the **financial system** in the euro area. Accelerate the steps towards a more integrated financial architecture, comprising banking supervision and cross-border crisis resolution.
	5. Pursue further **tax reforms** which give priority to growth- friendly sources of taxation while preserving overall tax revenues, in particular by lowering taxes on labour to make work pay; when reducing public expenditure, protect growth-enhancing items such as spending on research and development, education and energy efficiency; where necessary **adjust wage setting arrangements and indexation mechanisms**, in consultation with social partners and in accordance with national practices, so as to ensure that wages are evolving in line with	Most Member States met their commitments to promote **education and innovation**. Less progress was made to enhance competition in services and to revise **wage setting mechanisms**, either in the private or public sector. Member States also introduced reforms to increase **labour participation** and to lower labour taxes. Fewer measures were taken to improve life-long learning and reduce undeclared work.	6. Implement **structural reforms, which also promote flexible wage adjustments**, and which — together with a differentiated fiscal stance — would promote an orderly unwinding of intra-euro area macroeconomic imbalances and thus growth and jobs. This would include action at national level which reflects the country-specific situation and takes account of the Council recommendations to individual euro area Member States.

	productivity, competitiveness and the employment situation.		
	6. Introduce further reforms to **enhance competition in service sectors**, in particular by removing unjustified restrictions on professional services, retailing and network industries.	Most progress was made on reforms to **foster competitiveness and in particular to improve business environment**. Member States simplified the administrative requirements for businesses and introduced new services.	
	7. Fully implement the commitments made in the **Euro Plus Pact** so as to enhance growth, competitiveness and employment within the area.		