

Country Specific Recommendations (CSRs) as adopted under the European Semester Cycles in 2011 and 2012

This table presents **for each Member State**:

- The [Country Specific Recommendations for 2011](#), as adopted by the Council on 12 July 2011, and
- The [Country Specific Recommendations for 2012](#), as adopted by the Council on 10 July 2012.

The CSR as adopted by the Council are based on the **Stability or Convergence Programmes** and the **National Reform Programmes** submitted by the Member States in April 2012 for multilateral assessment at the EU-level. The **recitals** (not included in the below table) of CSR specifies whether a specific **recommendation is linked to a particular EU policy instrument**, i.e. the preventive arm or the corrective arm of the Stability and Growth Pact and Macro-Economic Imbalances.

2012 CSR have been re-arranged in the table, when relevant, to allow an easier comparison of the topics dealt with.

BE	<u>Country Specific Recommendations 2011</u>	<u>Country Specific Recommendations 2012</u>
	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>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.</p> <p>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.</p> <p>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.</p> <p>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 <i>ex post</i> 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.</p> <p>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.</p> <p>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.</p> <p>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.</p>

BG	<u>Country Specific Recommendations 2011</u>	<u>Country Specific Recommendations 2012</u>
	<p>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.</p>	<p>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.</p>
	<p>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.</p>	
	<p>3. Implement the agreed steps with social 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.</p>	<p>2. Take further steps to reduce risks to the 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.</p>
	<p>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.</p>	
	<p>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.</p>	<p>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.</p> <p>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.</p>
	<p>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.</p>	<p>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.</p> <p>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.</p>
	<p>7. Abolish barriers to entry, guaranteed profits arrangements and price controls and</p>	<p>7. Take measures to remove market barriers, guaranteed profit arrangements and price</p>

	<p>ensure full independence of the Bulgarian Energy Regulator, in order to open up the electricity and gas markets to greater competition. Introduce incentives to upgrade the energy efficiency of buildings.</p>	<p>controls. Ensure the independence of transmission and distribution system operators; 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.</p>
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CZ	<u>Country Specific Recommendations 2011</u>	<u>Country Specific Recommendations 2012</u>
	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>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.</p> <p>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.</p> <p>3. Take additional measures to significantly increase the availability of affordable and quality pre-school childcare.</p> <p>4. Strengthen PES by increasing the quality and effectiveness of training, job search assistance and individualised services, including of outsourced services.</p> <p>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.</p> <p>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.</p>

DK	<u>Country Specific Recommendations 2011</u>	<u>Country Specific Recommendations 2012</u>
	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>

DE	<u>Country Specific Recommendations 2011</u>	<u>Country Specific Recommendations 2012</u>
	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 <i>Länder</i> 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.	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 <i>Länder</i> , ensuring timely and relevant monitoring procedures and correction mechanisms.
	2. Address the structural weaknesses in the financial sector , in particular by restructuring <i>Landesbanken</i> which are in need of an adequately funded viable business model.	2. Address the remaining structural weaknesses in the financial sector , <i>inter alia</i> by further restructuring of those <i>Landesbanken</i> which are in need of an adequately funded viable business model while avoiding excessive deleveraging.
	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.	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.	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	<u>Country Specific Recommendations 2011</u>	<u>Country Specific Recommendations 2012</u>
	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. 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. 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.	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 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.	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	<u>Country Specific Recommendations 2011</u>	<u>Country Specific Recommendations 2012</u>
	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.	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	<u>Country Specific Recommendations 2011</u>	<u>Country Specific Recommendations 2012</u>
	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.	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.

ES	<u>Country Specific Recommendations 2011</u>	<u>Country Specific Recommendations 2012</u>
	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>5. Following consultation with social partners and in accordance with national practice, 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.</p> <p>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</p>	<p>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.</p> <p>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.</p> <p>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.</p> <p>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).</p> <p>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</p>

	<p>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.</p>	<p>policies, and by strengthening coordination between the national and regional public employment services, including sharing information about job vacancies.</p> <p>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.</p>
	<p>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.</p>	<p>8. Take additional measures to open up professional services, including highly regulated professions, reduce delays in obtaining business licences and eliminate barriers to doing business resulting from overlapping and multiple regulations by different levels of government. Complete the electricity and gas interconnections with neighbouring countries and address the electricity tariff deficit in a comprehensive way, in particular by improving the cost efficiency of the electricity supply chain.</p>
		<p>7. Improve the employability of vulnerable groups, combined with effective child and family support services in order to improve the situation of people at risk of poverty and/or social exclusion, and consequently to achieve the well-being of children.</p>

FR	<u>Country Specific Recommendations 2011</u>	<u>Country Specific Recommendations 2012</u>
	<p>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.</p> <p>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.</p> <p>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.</p> <p>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’).</p> <p>5. Take further steps to remove unjustified restrictions on regulated trades and professions, in particular in services and the retail sector.</p>	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>5. Pursue efforts to remove unjustified restrictions on regulated trades and professions, in particular in services and the 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.</p>

IT	<u>Country Specific Recommendations 2011</u>	<u>Country Specific Recommendations 2012</u>
	<p>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.</p> <p>2. Reinforce measures to combat segmentation in the labour market, also by reviewing 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.</p> <p>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.</p> <p>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 by removing regulatory obstacles and reducing costs.</p> <p>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.</p> <p>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</p>	<p>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.</p> <p>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.</p> <p>4. Adopt the labour market reform as a priority to tackle the segmentation of the labour 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.</p> <p>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 innovation. Implement the planned reorganisation of the civil justice system, and promote the use of alternative dispute settlement mechanisms.</p>

	amount of resources and quality of expenditure.	
		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.
		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 .

CY	<u>Country Specific Recommendations 2011</u>	<u>Country Specific Recommendations 2012</u>
	<p>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.</p>	<p>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.</p>
	<p>2. Strengthen further the prudential framework for supervision of banks and cooperative credit societies to ensure early detection of risks.</p>	<p>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.</p>
	<p>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.</p>	<p>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.</p>
	<p>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.</p>	<p>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.</p>
	<p>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.</p>	<p>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.</p>
	<p>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.</p>	<p>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.</p>
	<p>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.</p>	<p>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.</p>

LV	<u>Country Specific Recommendations 2011</u>	<u>Country Specific Recommendations 2012</u>
	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.	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.
		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	<u>Country Specific Recommendations 2011</u>	<u>Country Specific Recommendations 2012</u>
	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.	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.	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.	6. Step up measures to improve the energy efficiency of buildings, including through removing disincentives and a rapid implementation of the holding fund. Promote competition in energy networks by improving interconnectivity with the Member States for both electricity and gas.
	6. Take steps to improve start-up conditions and the delivery of construction permits, and to strengthen competition in the energy and retail sectors .	

LU	<u>Country Specific Recommendations 2011</u>	<u>Country Specific Recommendations 2012</u>
	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.	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.	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.	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 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.	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	<u>Country Specific Recommendations 2011</u>	<u>Country Specific Recommendations 2012</u>
	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.	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 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 .	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.
	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.	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.	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 to improve access to non-bank funding.	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, 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	<u>Country Specific Recommendations 2011</u>	<u>Country Specific Recommendations 2012</u>
	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.	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.	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.	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.	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.	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	<u>Country Specific Recommendations 2011</u>	<u>Country Specific Recommendations 2012</u>
	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.	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 long-term care in view of an ageing population.	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 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.	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').	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	<u>Country Specific Recommendations 2011</u>	<u>Country Specific Recommendations 2012</u>
	<p>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.</p> <p>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.</p> <p>3. In consultation with the social partners and according to national practices, take steps to 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.</p> <p>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.</p> <p>5. Take further steps to foster competition, in particular in the services sectors, by relaxing barriers to entry, removing unjustified restrictions on some professions, as well as enhancing the powers of the competition authority.</p> <p>Accelerate the adoption of the outstanding ‘horizontal law’ implementing the Services Directive.</p>	<p>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.</p> <p>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.</p> <p>3. Bring forward the harmonisation of the statutory retirement age between men and 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.</p> <p>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.</p> <p>5. Continue to implement measures to improve educational outcomes, especially of disadvantaged young people. Take measures to reduce drop-outs from higher education.</p> <p>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.</p>

		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.
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PL	<u>Country Specific Recommendations 2011</u>	<u>Country Specific Recommendations 2012</u>
	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.	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.	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 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.	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.
	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.	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.	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.	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.	
		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	<u>Country Specific Recommendations 2011</u>	<u>Country Specific Recommendations 2012</u>
	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.	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.

RO	<u>Country Specific Recommendations 2011</u>	<u>Country Specific Recommendations 2012</u>
	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.	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.

SI	<u>Country Specific Recommendations 2011</u>	<u>Country Specific Recommendations 2012</u>
	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.	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 labour market policies and lifelong learning measures.	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 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.	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'.	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 the matching of skills with labour market needs .	5. Improve the matching of skills with labour market demand , particularly of low-skilled workers and tertiary graduates, and continue reforms of vocational education 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.	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.

		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.
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SK	<u>Country Specific Recommendation 2011</u>	<u>Country Specific Recommendations 2012</u>
	<p>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.</p>	<p>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.</p> <p>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.</p>
	<p>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.</p>	
	<p>3. Enhance the long-term sustainability of public 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.</p>	<p>3. Further adjust the pay-as-you-go pension 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.</p>
	<p>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.</p>	<p>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.</p>
	<p>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.</p>	<p>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.</p> <p>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.</p>

	<p>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.</p>	<p>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.</p>
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FI	<u>Country Specific Recommendations 2011</u>	<u>Country Specific Recommendations 2012</u>
	<p>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.</p>	<p>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.</p> <p>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.</p>
	<p>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.</p>	<p>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.</p>
	<p>3. Target active labour market measures better on the long- term unemployed and young people.</p> <p>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.</p>	<p>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.</p>
	<p>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.</p>	<p>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.</p>
		<p>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.</p>

SE	<u>Country Specific Recommendations 2011</u>	<u>Country Specific Recommendations 2012</u>
	1. Keep fiscal policy on a path that ensures that the medium- term objective continues to be met.	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.	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.	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.
		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	<u>Country Specific Recommendations 2011</u>	<u>Country Specific Recommendations 2012</u>
	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.	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 volatility.	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, 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.	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.	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 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.	5. Further improve the availability of bank and non-bank financing to the private sector , in particular to SMEs. Support 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.
		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	<u>Council Recommendations 2011</u>	<u>Council Recommendations 2012</u>
		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.
		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 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 .	3. Strengthen fiscal discipline and fiscal institutions at both national and sub-national 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.	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	6. Implement structural reforms, which also promote flexible wage adjustments , and which

	<p>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 productivity, competitiveness and the employment situation.</p>	<p>— 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.</p>
	<p>6. Introduce further reforms to enhance competition in service sectors, in particular by removing unjustified restrictions on professional services, retailing and network industries.</p>	
	<p>7. Fully implement the commitments made in the Euro Plus Pact so as to enhance growth, competitiveness and employment within the area.</p>	